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INTRODUCTORY SECTION

January 30, 1999

The Honorable Paul E. Patton
Governor, Commonwealth of Kentucky
The Capitol Building
Frankfort, Kentucky 40601

Dear Governor Patton:

INTRODUCTION

In accordance with Section 48.800 (3) of the Kentucky Revised Statutes (K.R.S.), it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1998. This report is prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Accounts, which is responsible for the accurate, complete, and fair presentation of the data contained herein. The information presented fully describes the Commonwealth's financial position and results of operations as measured by the financial activity of the various funds. All appropriate disclosures necessary for the reader to gain the maximum understanding of Kentucky's financial affairs are included.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes the transmittal letters, the 1997 Certificate of Achievement, condensed summary data charts, and the government's organizational chart and list of principal officials. The financial section includes the auditor's report on the financial statements and schedules, the general purpose financial statements and Notes to Combined Financial Statements, the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Reporting Entity and its Services

This report includes all funds, account groups, and component units for which the Commonwealth is financially accountable, based on criteria established by the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The component units which are blended into the Commonwealth's primary government are: the State Property and Buildings Commission, Kentucky Asset/Liability Commission, Kentucky River Authority, Kentucky Lottery Corporation, Kentucky School Facilities Construction Commission, Turnpike Authority of Kentucky, Board of Agriculture, Kentucky Savings Bond Authority, Kentucky Retirement System, and Kentucky Teachers' Retirement System.

The Commonwealth's discretely presented component units are: the Kentucky State Fair Board, Kentucky Center for the Arts Corporation, Bluegrass State Skills Corporation, Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Educational Savings Plan Trust, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Agricultural Finance Corporation, Kentucky Grain Insurance Corporation, Kentucky Local Correctional Facilities Construction Authority, Kentucky Community Technical College System, and the eight state supported universities.

The Commonwealth provides the full range of services contemplated by statute, including economic development, educational and human services, energy and natural resources management, law enforcement, correctional and public protection services, transportation, public improvements, and general legislative, administrative, and judicial services.

ECONOMIC CONDITION AND OUTLOOK

In 1998 the U.S. economy defied expectations of a slowdown normally expected after seven years of continuous growth. The output of total goods and services as measured by the growth in real gross domestic product (GDP) surged by 3.9% over the previous year. This strength was all the more impressive as GDP growth in 1997 had been equally robust at 3.8%.

The Kentucky economy also made a strong showing in 1998 with total personal income rising by 5.0% compared to the U.S. average of 5.2%. Total nonagricultural employment increased by 2.4% versus 2.6% nationally. By the end of the fiscal year, Kentucky's unemployment rate had fallen to 4.5% compared to 4.7% for the U.S.

The strong economic showing for both Kentucky and the U.S. is derived from a soaring consumer confidence and strong demand. In spite of the Asian economic crisis that plunged most Southeast Asian countries--including Japan--into a deep recession, U.S. domestic demand continued to grow unabated. Even though exports to these countries plunged, cheaper imports and falling commodity prices buoyed our economy. This fueled domestic consumption and kept down inflation.

Given the spread of the economic crisis from Asia to Russia and Brazil, it is anticipated that Kentucky's economy will undergo a slight slowdown in the near future. The outlook for 1999 calls for continued, but slower growth in all sectors of the economy.

MAJOR INITIATIVES

1998 provided the first opportunity for you to effectively finance the major components of your 33-point strategic agenda with a new biennial budget. Because of the fact that the Commonwealth enjoyed a record-setting financial year, as evidenced by its ending cash balance in the General Fund, you were able to place the state's budgetary resources squarely behind that strategic agenda during the 1998 Regular Session of the General Assembly.

As noted, the Commonwealth's economy continued to be robust throughout the year, as did the national economy. As a direct consequence, this enabled the following policy and budgetary initiatives to be funded: the largest increase in funds for postsecondary education improvements in the state's history; the most extensive capital project and statewide infrastructure investment program in the state's history; the largest increase in funding for juvenile justice in the state's history; the largest Budget Reserve Trust Fund balance in the state's history; the largest legislatively-enacted Surplus Expenditure Plan in the state's history; the initiation of the second major phase of the EMPOWER Kentucky initiative to reengineer state government; the enactment of a comprehensive criminal justice reform and crime reduction program; the continued support of the Kentucky Education Reform Act (KERA) with special emphasis on improved accountability and safe schools; a major children's health initiative; reductions in several state taxes; and adherence to a structurally balanced budget plan ensuring a match between recurring revenues for recurring needs and onetime revenues or surpluses for nonrecurring investments.

Subsumed within these major initiatives were a host of specific improvements, projects, and new programs aimed at the overarching strategic goal of achieving economic opportunity and a standard of living for the Commonwealth that exceeds the national average in 20 years. Among the most important of those dealing with postsecondary education were a new Commonwealth's Scholarship program funded through the State Lottery; a \$110 million state-funded University Endowment program; capital funding in excess of \$400 million; fully funding needs based student financial aid programs for the first time in the state's history; and substantial funding for a Technology Trust Fund, a Physical Facilities Trust Fund, a Research Challenge Trust Fund, a Regional University Excellence Trust Fund, a Workforce Development Trust Fund, and a Student Financial Aid and Advancement Trust Fund. In addition, scores of individual postsecondary education capital projects were authorized on a statewide basis. This postsecondary education complement to the previously enacted elementary and secondary reform act completed a decade of state policy emphasis on Kentucky's educational product that began with a seminal Kentucky Supreme Court decision regarding elementary and secondary education governance and financing.

Both the education initiatives and those for the remainder of the public policy agenda were supported within the existing state tax structure and from ongoing economic growth. Moreover, at the same time, the Commonwealth's financial reserves continued to grow amidst new programs launched with long-term sustainability as a defining financial and policy principle.

FINANCIAL INFORMATION

The Accounting System and Budgetary Controls

The Commonwealth's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The governmental funds, expendable trust funds, and agency funds are presented on the modified accrual basis of accounting whereby revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received and the related liabilities are incurred. The proprietary and pension trust funds are presented on the accrual basis of accounting with all revenues and expenses recognized when the transactions occur, regardless of when related cash is received or disbursed.

In developing and operating the Commonwealth's accounting system, emphasis is placed on the adequacy of internal accounting controls. They are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgements by management. All internal control evaluations occur within this framework.

Budgetary control is maintained at the budget unit level described in the Notes to Combined Financial Statements by the encumbrance of estimated purchase amounts prior to the release of contracts to vendors. Contracts which result in overruns of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balances in the Commonwealth's Special Revenue and Capital Projects Funds at June 30, 1998.

General Fund Condition - Budgetary Basis

General Fund revenue on a budgetary basis for 1998 was \$6.15 billion, an increase of 8.2% over 1997. This amount includes \$6.01 billion in tax and non-tax receipts, and \$138.42 million of Operating Transfers In. Taxes represented 92.9% of all General Fund revenue collected during the period. The amounts and percentages of 1998 revenue derived from specific sources and the changes from 1997 are shown below (expressed in thousands) and are illustrated in Chart 1.

General Fund Revenue and Other Financing Sources - Budgetary Basis

| Revenue Source | Amount | Percent of Total | Increase (Decrease) from 1997 | |
|-----------------------------------|---------------------|------------------|----------------------------------|-------------|
| | | | Amount | Percent |
| Individual Income Tax | \$ 2,418,145 | 39.3% | \$ 213,122 | 9.7% |
| Sales and Gross Receipts Taxes | 2,155,186 | 35.0% | 102,958 | 5.0% |
| Property Taxes | 397,852 | 6.5% | (57,887) | (12.7%) |
| Corporate Income Tax | 333,666 | 5.4% | 40,913 | 14.0% |
| Non-Tax Revenue | 297,204 | 4.8% | 34,883 | 13.3% |
| Severance Taxes | 186,058 | 3.0% | (584) | (0.3%) |
| Operating Transfers In | 138,417 | 2.3% | 117,869 | 573.6% |
| License and Privilege Taxes | 114,841 | 1.9% | 4,502 | 4.1% |
| Inheritance and Estate Taxes | 105,538 | 1.7% | 10,251 | 10.8% |
| Miscellaneous Taxes | 3,316 | 0.1% | 95 | 2.9% |
| Total General Fund Revenue | \$ 6,150,223 | 100.0% | \$ 466,122 | 8.2% |

General Fund expenditures on a budgetary basis for 1998 totaled \$5.96 billion, including Operating Transfers Out of \$341.04 million. During 1998, expenditures increased by 8.0% and transfers decreased by 23.8% compared to 1997. The general government function includes \$767.68 million of expenditures and \$7.15 million of transfers for the eight State supported universities, which together amount to 13.0% of the General Fund total. The amounts and percentages of 1998 expenditures for the various governmental functions and the changes from 1997 are shown below (expressed in thousands) and are illustrated in Chart 1.

General Fund Expenditures and Other Financing Uses - Budgetary Basis

| Function | Amount | Percent of Total | Increase (Decrease) from 1997 | |
|---|---------------------|------------------|----------------------------------|-------------|
| | | | Amount | Percent |
| General Government | \$ 1,369,662 | 23.0% | \$ 39,507 | 3.0% |
| Legislative and Judicial | 166,224 | 2.8% | 13,211 | 8.6% |
| Commerce | 120,202 | 2.0% | 521 | 0.4% |
| Education and Humanities | 2,686,820 | 45.1% | 78,977 | 3.0% |
| Human Resources | 1,118,038 | 18.8% | 73,747 | 7.1% |
| Justice | 360,350 | 6.0% | 57,400 | 18.9% |
| Natural Resources and Environmental Protection | 52,255 | 0.9% | 2,776 | 5.6% |
| Public Protection and Regulation | 69,921 | 1.2% | 33,702 | 93.1% |
| Transportation | 5,671 | 0.1% | 408 | 7.8% |
| Non-budgetary Items | 8,617 | 0.1% | 8,457 | 5,285.6% |
| Total General Fund Expenditures | \$ 5,957,760 | 100.0% | \$ 308,706 | 5.5% |

The General Fund had a 1998 budgetary undesignated fund balance of \$356,015,465. This is an increase of \$71,898,839 over the 1997 year-end budgetary undesignated fund balance of \$284,116,626.

General Governmental Functions - GAAP Basis

General governmental functions on a GAAP basis are accounted for in four governmental funds - General, Special Revenue, Debt Service, and Capital Projects. Revenue for general governmental functions totaled \$11.60 billion for 1998, an increase of 6.1% over the amount recognized during 1997. The amounts and percentages of 1998 revenue derived from specific sources and the changes from 1997 are shown below (expressed in thousands) and are illustrated in Chart 2.

Governmental Funds Revenue - GAAP Basis

| Revenue Source | Amount | Percent of Total | Increase (Decrease) from 1997 | |
|---|----------------------|------------------|----------------------------------|-------------|
| | | | Amount | Percent |
| Taxes | \$ 6,871,848 | 59.2% | \$ 384,660 | 5.9% |
| Intergovernmental | 3,809,686 | 32.8% | 184,445 | 5.1% |
| Charges for Services | 289,555 | 2.5% | 27,189 | 10.4% |
| Other Revenue | 218,883 | 1.9% | 25,677 | 13.3% |
| Interest and Investments | 191,986 | 1.7% | 36,108 | 23.2% |
| Licenses, Fees, and Permits | 170,454 | 1.5% | 5,897 | 3.6% |
| Fines and Forfeits | 47,265 | 0.4% | (1,273) | (2.6%) |
| Total Governmental Funds Revenue | \$ 11,599,677 | 100.0% | \$ 662,703 | 6.1% |

1998 Governmental Funds Revenue was \$662.7 million over 1997. Higher Tax and Intergovernmental receipts account for 85.9% of the increase. Seven of eight tax sources, primarily in the General Fund, went up \$420.1 million but were offset by a \$35.4 million decline in Property Tax receipts. Intergovernmental revenue rose \$184.4 million on the strength of \$198.2 million more in Federal Fund receipts from the United States government. Interest and Investment income improved 23.2% almost entirely due to a \$33.4 million increase in earnings deposited in the General Fund. Revenue from Fines and Forfeits fell by 2.6% because collections dropped \$1.6 million in the Agency Revenue Fund and \$1.0 million in the Other Special Revenue Fund while raising \$1.4 million in the General Fund.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled \$10.64 billion for 1998, an increase of 4.9% compared to 1997. The amounts and percentages of 1998 expenditures for various governmental functions and the changes from 1997 are shown below (expressed in thousands) and are illustrated in Chart 2.

Governmental Funds Expenditures - GAAP Basis

| Function | Amount | Percent of Total | Increase (Decrease) from 1997 | |
|---|----------------------|------------------|----------------------------------|-------------|
| | | | Amount | Percent |
| General Government | \$ 652,980 | 6.1% | \$ 59,480 | 10.0% |
| Legislative and Judicial | 165,645 | 1.5% | 15,041 | 10.0% |
| Commerce | 45,953 | 0.4% | 1,545 | 3.5% |
| Education and Humanities | 3,187,712 | 29.9% | 110,869 | 3.6% |
| Human Resources | 4,253,354 | 40.0% | 44,592 | 1.1% |
| Justice | 402,149 | 3.8% | 62,049 | 18.2% |
| Natural Resources and Environmental Protection | 112,923 | 1.1% | 9,567 | 9.3% |
| Public Protection and Regulation | 115,479 | 1.1% | 9,716 | 9.2% |
| Transportation | 1,135,102 | 10.7% | 42,539 | 3.9% |
| Capital Outlay | 135,106 | 1.3% | 35,404 | 35.5% |
| Debt Service | 438,029 | 4.1% | 105,902 | 31.9% |
| Total Governmental Funds Expenditures | \$ 10,644,432 | 100.0% | \$ 496,704 | 4.9% |

1998 Governmental Funds Expenditures were \$496.7 million over 1997. Education and Humanities function costs rose \$110.9 million, due primarily to \$70.7 million more in General Fund grants and subsidies awarded by the Department of Education. Capital Outlay was up 35.5%, based primarily on \$30.6 million more in Capital Projects Fund expenditures in the Commerce Function. Debt Service rose by \$105.9 million due almost totally to \$50.1 million in additional principal retirement and \$60.0 million more in interest offset by a \$4.1 million drop in other expenditures, all in the Debt Service Fund.

Ending fund balances for all governmental fund types increased 21.2%, from \$2.25 billion as restated for 1997, to \$2.73 billion in 1998. Of these totals, unreserved fund balances increased 29.9%, from \$1.17 billion as restated at June 30, 1997, to \$1.52 billion at June 30, 1998.

Debt Administration

The amount of debt service for general bonded debt, the ratio of this amount to total expenditures for general governmental functions, and the amount of debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth's debt position. The data for 1998 is:

| | <u>Debt Service (thousands)</u> | <u>Ratio to Total General Governmental Expenditures</u> | <u>Debt Per Capita</u> |
|---------------------|---------------------------------|---|------------------------|
| General Bonded Debt | \$438,029 | 4.1% | \$714 |

No general obligation bonds were authorized or outstanding at June 30, 1998.

During 1998, Kentucky issued revenue bonds totaling \$211,335,121 for general governmental functions which are supported by governmental fund appropriations. \$184,720,414 defeased existing debt and funded related reserve accounts. The remaining \$26,614,707 funded new projects. All issues sold during 1998 received a rating of "A" or higher by the major rating services. At June 30, 1998, total principal outstanding for revenue bonds paid from governmental fund appropriations was \$2,833,433,371.

Cash Management, Investment and Collateral Policy

The Commonwealth's investments are governed by KRS 42.500 and KAR Title 200 Chapter 14. The State Investment Commission, comprised of the Governor, Treasurer, Secretary of the Finance and Administration Cabinet, and gubernatorial appointees of the Community Independent Banker's Association and Kentucky Banker's Association, is charged with oversight of the Commonwealth's investment activities. The Commission is required to meet at least quarterly, and delegates day to day investment management to the Office of Financial Management and Economic Analysis.

At June 30, 1998, the Commonwealth's operating portfolio was approximately \$3.3 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (20.1%), securities issued by agencies, corporations and instrumentalities of the United States Government (41.1%), repurchase agreements collateralized at 102% by the aforementioned (22.5%), U.S. dollar denominated corporate securities rated A or higher by a nationally recognized rating agency (9.2%), municipal securities rated A or higher by Standard & Poor's or Moody's (2.2%), money market securities rated A1-P1 or higher by Standard & Poor's or Moody's (2.3%), and asset backed securities rated in the highest category by nationally recognized rating agency (2.6%). Money market securities, including Bankers' Acceptances, Commercial Paper and Certificates of Deposit, are limited to 20% of the total portfolio and \$25 million per issuer. The annualized yield for 1998 was 5.99% and has a modified duration of approximately 1.07 years. The Commonwealth's investments are marked to market daily.

During 1998, general depository cash in excess of daily requirements and not required for immediate expenditure was invested in the above-described securities, as well as securities issued by the Commonwealth of Kentucky. Investment income for 1998, excluding that from pension trust funds, was \$211.1 million.

The Commonwealth's investments are categorized into four investment pools: Short-Term, Long-Term, Intermediate, and U.S. Bond Proceeds Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity to the remaining pools. The Long-Term Pool invests the Budget Reserve Trust Fund account and other funds deemed appropriate for the pool where liquidity is not a serious concern. The Intermediate Pool represents Agency Fund investments, state held component unit funds and fiduciary fund accounts held for the benefit of others by the state. The Bond Proceeds Pool invests in U.S. Treasury and Agency obligations. Capital Construction bond proceeds are deposited into the Bond Proceeds Pool until expended for their intended purpose.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The State Investment Commission expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, including: over-the-counter treasury options, the securities lending program, fixed receiver interest rate swaps, and most recently the purchase of mortgage backed securities, and collateralized mortgage obligations.

The Commonwealth has used over-the-counter treasury options since the mid-1980's to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than 20% of the total portfolio of treasury and agency securities. Historically, this commitment has been less than 10% of the portfolio.

The Commonwealth has had a securities lending program since the mid-1980's. This program is structured as a paired tri-party repurchase transaction with an approved custodian bank and a primary dealer acting as principal. The state reverses its treasury and agency securities in exchange for 102% of eligible collateral pursuant to KRS 42.500, marked

to market daily. Currently, the Commonwealth receives a guaranteed 9.5 basis points of the average market value of securities in the program.

The Commonwealth has also engaged in an asset-based interest rate swap to better match its assets and liabilities and to stabilize the volatility of interest income. These transactions have required the Commonwealth to pay a floating rate in exchange for a fixed rate over a specific period of time. On September 28, 1995, the State Investment Commission adopted resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed \$200 million outstanding, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. Currently, the Commonwealth has one \$50 million notional amount fixed rate receiver swap transaction outstanding, which has a final maturity of July 9, 1999.

House Bill 5 of the First Extraordinary Session of 1997 was enacted on May 30, 1997. The bill amended KRS 42.500 to authorize the purchase of additional securities with excess funds available for investment. The new classes of securities include: United States dollar denominated corporate, Yankee and Eurodollar securities, issued by foreign and domestic issuers, including sovereign and supranational governments, rated in one of the three highest categories by a nationally recognized rating agency, and asset backed securities rated in the highest category by a nationally recognized rating agency.

On June 18, 1997, the Kentucky Investment Commission adopted policies and procedures to govern the purchase of the new authorized securities. The new asset classes will be limited to 25% of the assets of any investment pool. Corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to \$25 million per issuer. Asset Backed Securities are limited to a stated final maturity of 10 years or less and must have a weighted-average-life of not more than 4 years. The Commission also adopted policies and procedures regarding the investment of funds in United States Agency Mortgage Backed Securities ("MBS") and Collateralized Mortgage Obligations ("CMO"). MBS and CMO are limited to a maximum of 25% of any investment portfolio. MBS are limited to a stated final maturity of 10 years or less with a weighted-average-life of 4 years or less. CMO are subject to the guidelines established by the Federal Financial Institutions Examination Council for CMO security purchases for regulated financial institutions. CMO are further limited to a weighted-average-life of 4 years or less.

Risk Management

The Division of Risk Management (DRM) oversees and coordinates risk management and insurance responsibilities among various state agencies in accordance with KRS 42.0245. For the year ended June 30, 1998, the Division achieved a cash savings of \$540,589 by obtaining lower bids from improved insurance bid specifications and by seeking broader markets. Risk exposures in the amount of \$2.3 million were eliminated for properties that were either uninsured or underinsured. Since 1989, risk exposures of \$59 million have been eliminated for either uninsured or underinsured state property and buildings. The Finance and Administration Cabinet insures property, computers, vehicles, telephones, fidelity bonds, and workers' compensation claims in the amount of \$327.5 million annually for a premium of \$199,227.

New risk management initiatives for the year included self-insuring computers in the State Fire and Tornado Insurance Fund and offering state agencies replacement cost value coverage for buildings without deductions for depreciation and no rate increase.

Currently, the Commonwealth's three major self-insurance programs include: the Fire and Tornado Insurance Fund for property and casualty coverage; the State Employee Benefit Fund (Kentucky Kare) for health care coverage; and the State Self Insurance Fund for Workers' Compensation benefits. The Finance and Administration Cabinet, in accordance with KRS 45A.022, purchases insurance policies to transfer to insurance companies other financial and catastrophic risks for various state agencies not assumed by these programs.

The Fire and Tornado Insurance Fund consists of "premiums" charged to state agencies and universities. Current annual "premiums" of \$4.9 million insure \$5.1 billion in property assets for 6,782 facilities throughout the state. By statute, the Fund must have a reserve of \$5,000,000 at the close of each fiscal year. All losses are reinsured to limit fund liability to \$300,000 for any one loss to each subject of risk. For the year ended June 30, 1998, the Fund paid 218 claims in the amount of \$1,722,155. Earthquake and Flood Coverage for state facilities are available as additional insured perils in the Fund.

The State Employee Benefit Fund is a public entity risk pool which self-insures risks of providing health care benefits for approximately 33,381 subscribers including state employees, employees of local boards of education, employees of local health departments, and retirees under age 65 and other individuals subscribing to the Kentucky Kare health plans. For the year ended June 30, 1998, the state contributed \$198 per insured monthly or \$79.3 million annually for this coverage. As of June 30, 1998, the Commonwealth had paid \$140.6 million in claims. Funded reserves of \$35.6 million are maintained to cover claim liabilities, which at June 30, 1998, were \$21.3 million. Net income for the year decreased \$35 million as a result of reduced premium income.

The State Self Insured Workers' Compensation Trust Fund provides workers' compensation coverage for state employees. At June 30, 1998, the State program had assets of \$14.3 million and an unreserved accumulated deficit of \$42.7 million. Premium income for the fiscal year increased from \$14.1 million to \$16.1 million and the unreserved accumulated deficit increased \$2.0 million from the previous fiscal year. The Fund carries reinsurance coverage for large individual or incident claims of \$5 million with limits of \$20 million. The amount of claims paid for the fiscal year was \$15.2 million. The Transportation Cabinet has a separate self insured workers' compensation fund for its employees. As of June 30, 1998, the Fund has unpaid liabilities of \$20.1 million. The fund carries reinsurance coverage for claims exceeding \$1 million with limits of \$10 million.

Capital Projects Fund

Proceeds of certain bond issues and other appropriated monies to be used for projects related to economic development and the construction, improvement, and maintenance of the Commonwealth's physical plant are accounted for in the Capital Projects Fund until such projects are completed. Completed construction and improvement projects are capitalized in the appropriate proprietary fund or General Fixed Assets Account Group at year end. All uncompleted construction in progress is capitalized in the General Fixed Assets Account Group or appropriate proprietary fund. During 1998, projects costing \$81,639,736 were completed.

Proprietary Funds

Combined operating revenues of the primary government's Enterprise Funds increased from \$908.0 million for 1997, to \$945.1 million in 1998. Combined operating expenses of these funds decreased from \$899.6 million for 1997 to \$806.6 million in 1998. The Kentucky Lottery Corporation paces Enterprise Fund activity with operating revenues and expenses of \$585.0 million and \$429.5 million. At June 30, 1998, there are no outstanding revenue bonds in the State Parks Fund or other blended component units.

Combined operating revenues and expenses of discretely presented component units accounted for in proprietary fund types were \$212.1 million and \$240.3 million for 1998, compared to \$195.9 million and \$234.2 million in 1997. The Kentucky Housing Corporation leads such activity with operating revenues and expenses of \$82.9 million and \$70.7 million. At June 30, 1998, outstanding revenue bonds for the discretely presented component units totaled \$1.61 billion, of which \$887.2 million and \$423.7 million are accounted for in the Kentucky Housing Corporation and Kentucky Higher Education Student Loan Corporation, respectively.

Combined operating revenues and expenses for the Commonwealth's Internal Service Funds amounted to \$124.9 million and \$123.7 million, as compared to 1997 totals of \$123.5 million and \$134.0 million. The internal service operations provided include, but are not limited to, data processing, telecommunications, property management, and insurance administration.

Proprietary funds receive budgeted operating transfers of General Fund appropriations.

Pension Trust Funds

The Commonwealth administers separate retirement systems for Kentucky employees, State Police officers, public school teachers, judges, legislators and county employees. At June 30, 1998, combined total assets for these plans reached \$24.8 billion. The aggregate operating revenue of these funds was \$1.97 billion, including interest and investment income of \$865.4 million. Total operating expenses were \$1.2 billion, including retirement benefits paid of \$852.9 million.

These retirement systems are as follows: Kentucky Employes Retirement System; State Police Retirement System; County Employes Retirement System; Teachers' Retirement System; and the Judicial Form Retirement System (including both the Judicial Retirement Fund and the Legislators' Retirement Fund).

University and College Funds

The eight state-supported universities and Kentucky Community and Technical College System (KCTCS) are discretely presented component units accounted for in the University and College Funds . University and College Current Funds revenue rose from \$1.22 billion in 1997 to \$1.24 billion in 1998 for an increase of 1.6%. State appropriations transferred from the General Fund to these funds went up 5.0% to \$774.6 million. Current fund expenditures and transfers increased 3.6% during 1998, to \$2.03 billion. At June 30, 1998, outstanding revenue bonds for the state supported universities and KCTCS total \$708.8 million, of which \$207.6 million is accounted for by the University of Kentucky and \$170.6 million is accounted for by the University of Louisville.

General Fixed Assets

The general fixed assets of the Commonwealth are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Enterprise, Internal Service, and Component Units Funds. At June 30, 1998, the general fixed assets of Kentucky amounted to \$1.3 million. This amount represents the valuation of general fixed assets in accordance with GAAP as described in the Notes to the Financial Statements. Depreciation of general fixed assets is not recognized in the Commonwealth's accounting system.

OTHER INFORMATION

Independent Audit

The accompanying financial statements have been audited by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with generally accepted government auditing standards, and the report of the independent auditor appears elsewhere in this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the year ended June 30, 1997. This is the eleventh consecutive year the Commonwealth has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of this report could not have been accomplished without the cooperation of all branches and agencies of the Commonwealth. The professionalism demonstrated by the staffs of the Finance and Administration Cabinet's Divisions of Accounts and Printing, as well as the Office of the Auditor of Public Accounts, is especially noteworthy. Their combined dedication made the publication of this report possible.

Respectfully submitted,

John P. McCarty, Secretary
Finance and Administration Cabinet



January 30, 1999

The Honorable John P. McCarty
Secretary, Finance and Administration Cabinet
383 New Capitol Annex
Frankfort, Kentucky

Dear Secretary McCarty:

Pursuant to Section 48.800 (3) of the Kentucky Revised Statutes, the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 1998, is submitted herewith. It contains all funds, account groups, and entities that are controlled by or dependent on the Commonwealth based on the criteria developed by the Governmental Accounting Standards Board (GASB) in its Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The basis of accounting upon which the report has been prepared complies with Generally Accepted Accounting Principles (GAAP) for state governments as prescribed by both GASB and the American Institute of Certified Public Accountants' (AICPA) publication Audits of State and Local Governmental Units.

The information presented fairly and fully discloses the financial position and results of financial operations of the Commonwealth for the reporting period as measured by the financial activity of the various funds. All appropriate disclosures necessary to assist readers in their understanding and evaluation of Kentucky's financial condition have been included in this report.

Respectfully submitted,

Edgar C. Ross, Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director



Chart 1

General Fund - Budgetary Basis

Fiscal Year 1998

(amounts in billions)

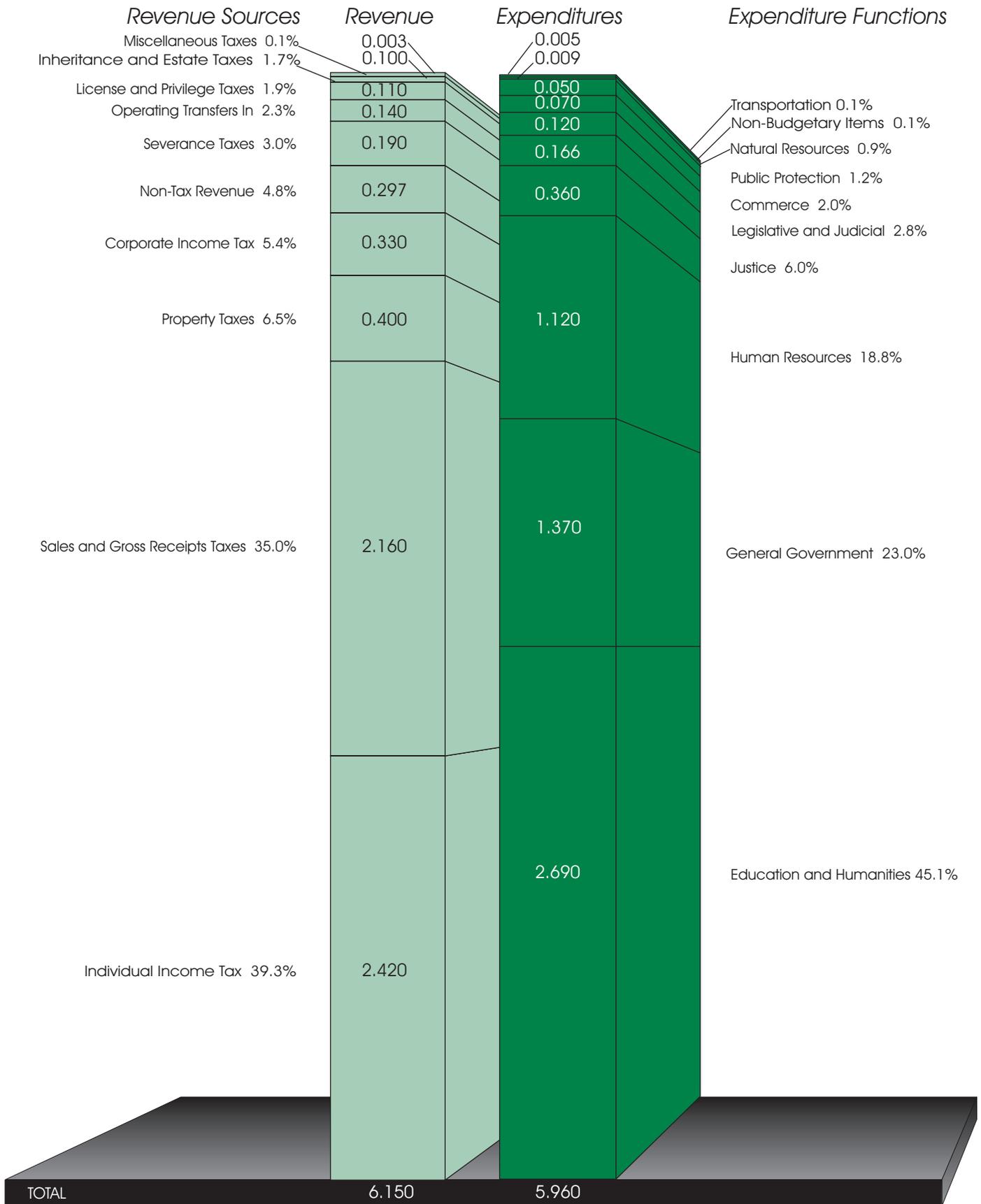
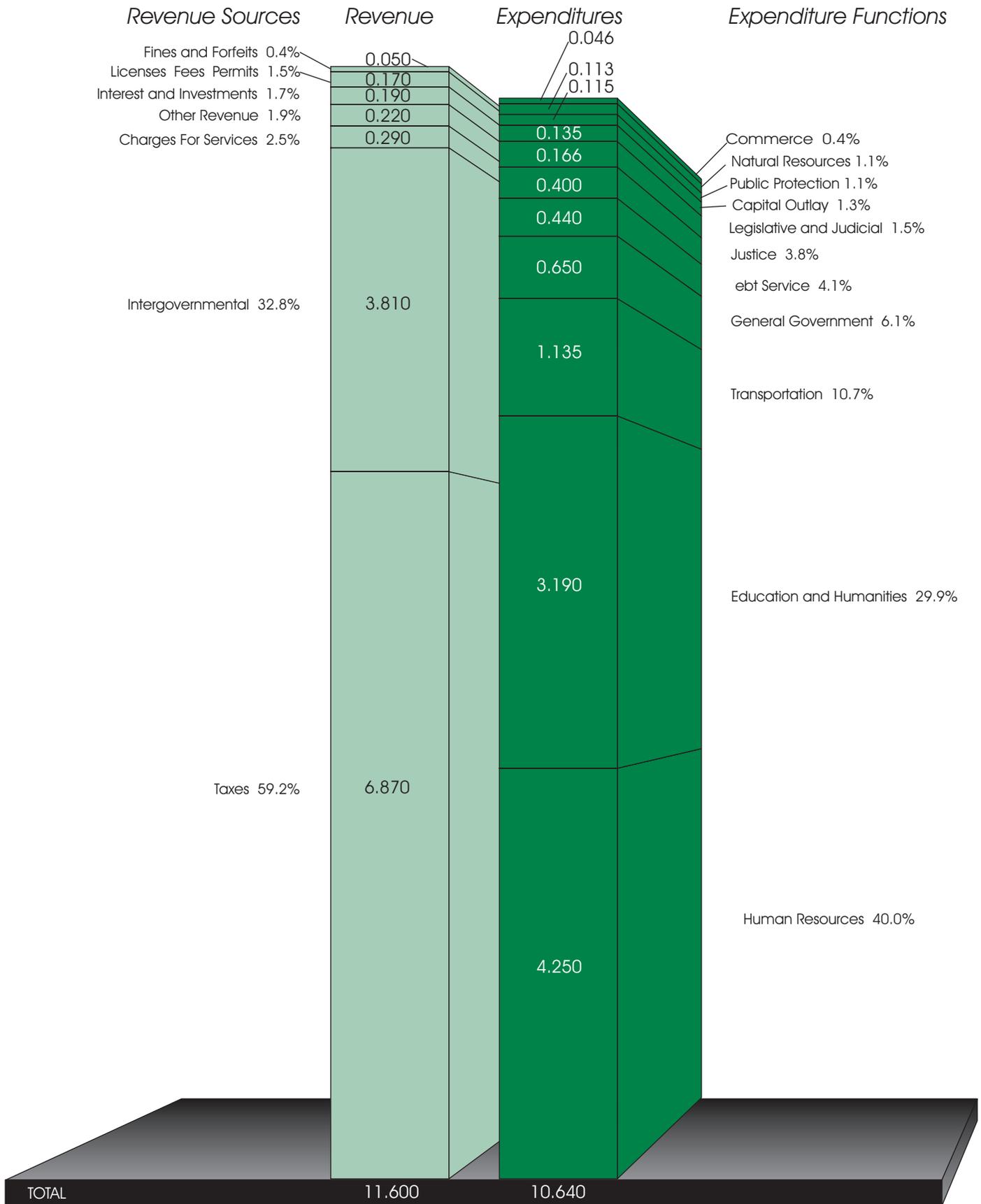


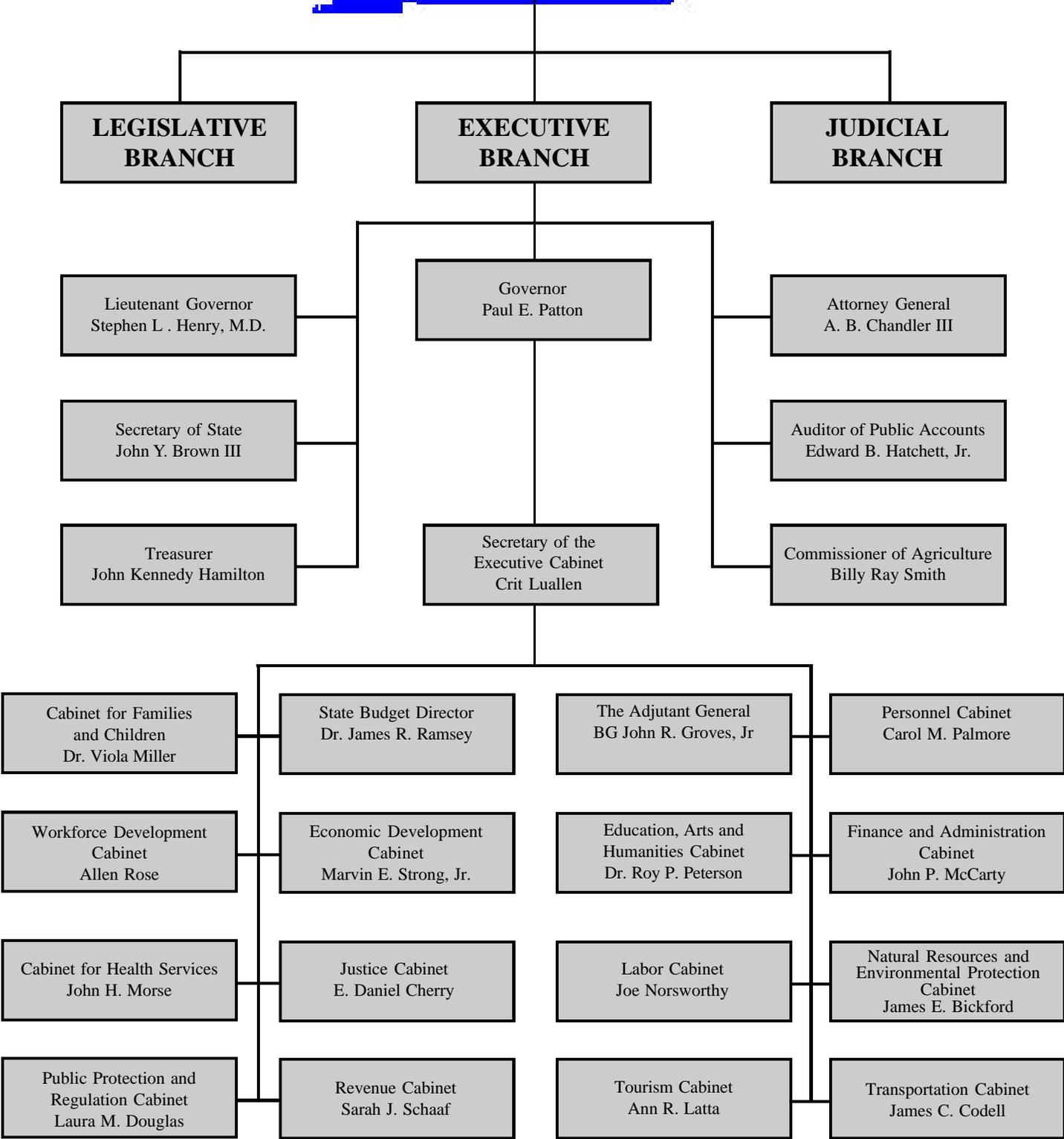
Chart 2

Governmental Funds - GAAP Basis

Fiscal Year 1998

(amounts in billions)





* Principal Officials at June 30, 1998

FINANCIAL SECTION

Independent Auditor's Report

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet

We have audited the accompanying general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We did not audit the financial statements of certain organizational units within the governmental fund types; the Kentucky Lottery Corporation, Workers' Compensation Special Fund, Coal Workers' Pneumoconiosis Fund, and Transportation Cabinet's Fleet Management Fund and Self-Insured Workers' Compensation Trust Funds within the proprietary fund types; the Pension Trust Funds and Transportation Cabinet's portion of the Agency Funds within the fiduciary fund types; and universities and colleges and certain other discretely presented component units. These organizational units represent total assets of 15, 68, 94, and 99.9 percent; total revenues/additions of 13, 72, 93, and 99.9 percent; and total expenditures/expenses/deductions of 14, 72, 76, and 99.9 percent, respectively, of the related combined totals of the governmental fund types, proprietary fund types, fiduciary fund types, and discretely presented component units. We also did not audit certain fixed assets which represent 15 percent of the General Fixed Assets Account Group. In addition, we did not audit certain long-term obligation accounts which comprise 44 percent of the total liabilities in the General Long-Term Obligations Account Group. These organizational unit financial statements and fixed asset and general long-term obligation accounts were audited by other auditors whose reports thereon were furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the organizational units, the fixed assets, and the long-term obligations referenced above, is based solely on the reports of other auditors.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet
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We conducted our audit in accordance with generally accepted government auditing standards except as discussed in the following paragraph and except that a portion of the university and college discretely presented component units was audited in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures About Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. The Commonwealth of Kentucky has included such disclosures in Note 17. Because of the unprecedented nature of the year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Commonwealth's disclosures with respect to the year 2000 issue made in Note 17. Further, we do not provide assurance that the Commonwealth is or will be year 2000 ready, that the Commonwealth's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commonwealth does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify evidence regarding year 2000 disclosures, based on our audit and the reports of other auditors, the general-purpose financial statements referenced above present fairly, in all material respects, the financial position of the Commonwealth of Kentucky as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

As disclosed in Note 2, the Commonwealth of Kentucky implemented Governmental Accounting Standards Board Statement 31 for the year ended June 30, 1998, which resulted in a decrease in beginning fund balance/retained earnings of \$2,459,000, for the primary government's governmental fund types, and an increase of \$33,084,513, and \$938,000, respectively, for the primary government's proprietary fund types, and fiduciary fund types; and an increase in beginning retained earnings/fund balance of \$5,250,000 for the proprietary fund types and \$786,000 for the university

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet
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and college funds of the discretely presented component units. Also as disclosed in Note 2, the Commonwealth implemented Governmental Accounting Standards Board Statement 32 for the year ended June 30, 1998, which resulted in an increase in beginning fund balance for the Expendable Trust Fund of \$379,617,000 with a corresponding decrease in beginning assets and liabilities for the Agency Fund. During the year ended June 30, 1998, the Commonwealth established the Kentucky Community Technical College System within the university and college funds of the discretely presented component units. The Community College System which had previously been reported as part of the University of Kentucky was moved to the new System and represented an increase in beginning fund balance of \$162,943,000 for the System and a corresponding decrease for the University of Kentucky.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules included in this report on pages 86 through 173 are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Commonwealth of Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The Introductory and Statistical Sections presented in this report on pages 1 through 18 and 174 through 188 were not audited by us and, accordingly, we do not express an opinion thereon.

In accordance with generally accepted government auditing standards, we will also issue our report on our consideration of the Commonwealth of Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

Edward B. Hatchett, Jr.

January 30, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

**COMMONWEALTH OF KENTUCKY
 COMBINED BALANCE SHEET
 ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 1998**

(Expressed in Thousands)

| | Governmental Fund Types | | | |
|---|-------------------------|---------------------|-------------------|-------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| ASSETS AND OTHER DEBITS | | | | |
| CASH AND CASH EQUIVALENTS (NOTE 5) | \$ 283,760 | \$ 182,106 | \$ 3,452 | \$ 32,359 |
| CASH WITH FISCAL AGENTS | | | 59,255 | |
| CASH ON DEPOSIT WITH FEDERAL GOVERNMENT | | | | |
| RESTRICTED CASH | | 7,889 | | |
| INVESTMENTS, NET OF AMORTIZATION (NOTE 5) | 398,060 | 1,052,733 | 300,222 | 347,721 |
| RECEIVABLES, NET (NOTE 1) | 504,475 | 743,638 | 2,625 | 5,402 |
| INTERFUND RECEIVABLES (NOTE 7) | 130,287 | 92,305 | 840 | 4,895 |
| DUE FROM COMPONENT UNITS | | | | |
| INVENTORIES | 11,681 | 31,210 | | |
| PREPAID EXPENSES | | 16 | | |
| DEFERRED CHARGES | | | | |
| RESTRICTED ASSETS | | 79,738 | | |
| LAND | | | | |
| IMPROVEMENTS OTHER THAN BUILDINGS | | | | |
| BUILDINGS | | | | |
| MACHINERY AND EQUIPMENT | | | | |
| LESS: ACCUMULATED DEPRECIATION | | | | |
| CONSTRUCTION IN PROGRESS | | | | |
| OTHER ASSETS | | | | |
| AMOUNTS AVAILABLE FOR DEBT SERVICE | | | | |
| AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS | | | | |
| TOTAL ASSETS AND OTHERS DEBITS | \$ 1,328,263 | \$ 2,189,635 | \$ 366,394 | \$ 390,377 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | |
| LIABILITIES: | | | | |
| ACCOUNTS PAYABLE | \$ 217,347 | \$ 606,773 | \$ 852 | \$ 8,358 |
| TAX REFUNDS PAYABLE | 164,105 | | | |
| ACCRUED LIABILITIES | | | | |
| INTERFUND PAYABLES (NOTE 7) | 46,577 | 185,689 | 12,032 | 853 |
| DUE TO COMPONENT UNITS | | | | |
| DUE TO PRIMARY GOVERNMENT | | | | |
| CLAIMS LIABILITY | | | | |
| CLAIMS ADJUSTMENT LIABILITIES | | | | |
| CAPITAL LEASE OBLIGATIONS (NOTE 10) | | | | |
| NOTES PAYABLE (NOTE 15) | | | | |
| BONDS PAYABLE (NOTE 15) | | | | |
| COMPENSATED ABSENCES (NOTE 1) | | | | |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | | | | |
| DEPOSITS AND ADVANCE PAYMENTS | | | | |
| DEFERRED REVENUE | 85,068 | 201,526 | 136 | 14,985 |
| OTHER LIABILITIES | | | | |
| JUDGEMENTS AND CONTINGENCIES | | | | |
| TOTAL LIABILITIES | 513,097 | 993,988 | 13,020 | 24,196 |
| EQUITY AND OTHER CREDITS: | | | | |
| CONTRIBUTED CAPITAL (NOTE 1) | | | | |
| INVESTMENT IN FIXED ASSETS (NOTE 1) | | | | |
| RETAINED EARNINGS: | | | | |
| RESERVED FOR: | | | | |
| REVENUE BOND RETIREMENT | | | | |
| UNRESERVED | | | | |
| FUND BALANCE (NOTE 1) | | | | |
| RESERVED FOR: | | | | |
| ENCUMBRANCES | | 275,781 | | 52,384 |
| STATUTORY OBLIGATIONS | 175,307 | 43,542 | | |
| CAPITAL OUTLAY | | | | 78,424 |
| REVENUE BOND RETIREMENT | | 1,000 | 305,479 | |
| EMPLOYEE RETIREMENT SYSTEM | | | | |
| RETIREE'S HEALTH INSURANCE | | | | |
| OTHER SPECIFIC PURPOSES (NOTE 1) | 211,681 | 48,271 | 21,594 | |
| UNRESERVED: | | | | |
| DESIGNATED FOR HIGHWAY CONSTRUCTION | | 318,393 | | |
| DESIGNATED FOR DEBT SERVICE | | | 26,301 | |
| DESIGNATED FOR UNIVERSITIES AND COLLEGES | | | | |
| UNDESIGNATED | 428,178 | 508,660 | | 235,373 |
| TOTAL EQUITY AND OTHER CREDITS | 815,166 | 1,195,647 | 353,374 | 366,181 |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | \$ 1,328,263 | \$ 2,189,635 | \$ 366,394 | \$ 390,377 |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

| Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Totals | Component Units | Totals |
|------------------------|------------------|----------------------|----------------------|-------------------------------|--------------------------------------|-----------------|------------------------------------|
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Obligations | Primary Government (Memorandum Only) | | Reporting Entity (Memorandum Only) |
| \$ 137,520 | \$ 4,878 | \$ 1,671,907 | \$ | \$ | \$ 2,315,982 | \$ 809,388 | \$ 3,125,370 |
| | | 9,079 | | | 68,334 | | 68,334 |
| | | 615,385 | | | 615,385 | | 615,385 |
| | | | | | 7,889 | 17,357 | 25,246 |
| 845,173 | 24,725 | 23,756,284 | | | 26,724,918 | 888,935 | 27,613,853 |
| 48,356 | 1,854 | 266,504 | | | 1,572,854 | 1,903,390 | 3,476,244 |
| 163 | 7,793 | 16,623 | | | 252,906 | | 252,906 |
| | | | | | | 149,226 | 149,226 |
| 3,457 | 4,073 | | | | 50,421 | 26,049 | 76,470 |
| 325 | 1,377 | 179 | | | 1,897 | 1,012 | 2,909 |
| | | | | | | 21,784 | 21,784 |
| | | | | | 79,738 | 116,077 | 195,815 |
| 14,547 | 1,037 | | 80,847 | | 96,431 | 89,338 | 185,769 |
| 57,538 | 367 | | | | 57,905 | 66,164 | 124,069 |
| 110,094 | 10,435 | 2,583 | 751,136 | | 874,248 | 2,173,185 | 3,047,433 |
| 35,325 | 140,736 | | 296,395 | | 472,456 | 727,880 | 1,200,336 |
| (110,489) | (105,607) | | | | (216,096) | (125,435) | (341,531) |
| 73,215 | 10 | | 130,287 | | 203,512 | 127,482 | 330,994 |
| | | | | | | 272,260 | 272,260 |
| | | | | | | | 354,374 |
| | | | | | | | 354,374 |
| | | | | | | | 3,053,249 |
| | | | | | | | 3,053,249 |
| \$ 1,215,224 | \$ 91,678 | \$ 26,338,544 | \$ 1,258,665 | \$ 3,407,623 | \$ 36,586,403 | \$ 7,264,092 | \$ 43,850,495 |
| \$ 16,146 | \$ 8,049 | \$ 71,925 | \$ | \$ | \$ 929,450 | \$ 171,937 | \$ 1,101,387 |
| | | | | | 164,105 | | 164,105 |
| 2,472 | 3,790 | 1,232 | | | 252,645 | 69,343 | 69,343 |
| | | | | | | 149,344 | 149,344 |
| | | | | | | 143 | 143 |
| 1,608,091 | 76,603 | | | | 1,684,694 | | 1,684,694 |
| 67,101 | | | | | 67,101 | | 67,101 |
| 97 | 5,687 | | | 1,057 | 6,841 | 76,071 | 82,912 |
| 5,769 | | | | 70,000 | 75,769 | 53,753 | 129,522 |
| | | | | 2,833,433 | 2,833,433 | 2,312,301 | 5,145,734 |
| 6,801 | 5,510 | | | 191,204 | 203,515 | 3,233 | 206,748 |
| | | 192,834 | | | 192,834 | 10,835 | 203,669 |
| | | | | | | 8,338 | 8,338 |
| 1,511 | 2,450 | 35,562 | | | 341,238 | 46,773 | 388,011 |
| 374,055 | | 1,937,105 | | 88,629 | 2,399,789 | 82,434 | 2,482,223 |
| | | | | 223,300 | 223,300 | | 223,300 |
| 2,082,043 | 102,089 | 2,238,658 | | 3,407,623 | 9,374,714 | 2,984,505 | 12,359,219 |
| | | | | | | | |
| 121,842 | 11,797 | | | | 133,639 | 104,583 | 238,222 |
| | | | 1,258,665 | | 1,258,665 | 2,235,460 | 3,494,125 |
| | | | | | | | |
| (988,661) | (22,208) | | | | (1,010,869) | 306,032 | 306,032 |
| | | | | | | 398,619 | (612,250) |
| | | | | | | | |
| | | | | | 328,165 | 17,921 | 346,086 |
| | | | | | 218,849 | | 218,849 |
| | | | | | 78,424 | 277,217 | 355,641 |
| | | | | | 306,479 | | 306,479 |
| | | 22,096,895 | | | 22,096,895 | | 22,096,895 |
| | | 700,763 | | | 700,763 | | 700,763 |
| | | | | | 281,546 | 700,300 | 981,846 |
| | | | | | | | |
| | | | | | 318,393 | | 318,393 |
| | | | | | 26,301 | | 26,301 |
| | | | | | | 239,623 | 239,623 |
| | | 1,302,228 | | | 2,474,439 | (168) | 2,474,271 |
| (866,819) | (10,411) | 24,099,886 | 1,258,665 | | 27,211,689 | 4,279,587 | 31,491,276 |
| \$ 1,215,224 | \$ 91,678 | \$ 26,338,544 | \$ 1,258,665 | \$ 3,407,623 | \$ 36,586,403 | \$ 7,264,092 | \$ 43,850,495 |

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | Governmental Fund Types | | | |
|---|-------------------------|---------------------|-------------------|-------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| REVENUES (NOTE 1): | | | | |
| TAXES | \$ 5,719,390 | \$ 1,152,458 | \$ | \$ |
| LICENSES, FEES, AND PERMITS | 20,675 | 149,779 | | |
| INTERGOVERNMENTAL | 7,049 | 3,802,337 | | 300 |
| CHARGES FOR SERVICES | 4,015 | 277,403 | 8,137 | |
| FINES AND FORFEITS | 43,088 | 4,177 | | |
| INTEREST AND OTHER INVESTMENT INCOME | 65,443 | 68,017 | 28,307 | 30,219 |
| OTHER REVENUES | 40,571 | 175,431 | 304 | 2,577 |
| TOTAL REVENUES | <u>5,900,231</u> | <u>5,629,602</u> | <u>36,748</u> | <u>33,096</u> |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| GENERAL GOVERNMENT | 276,741 | 376,239 | | |
| LEGISLATIVE AND JUDICIAL | 161,561 | 4,084 | | |
| COMMERCE | 16,956 | 28,997 | | |
| EDUCATION AND HUMANITIES | 2,613,629 | 574,083 | | |
| HUMAN RESOURCES | 1,014,263 | 3,239,091 | | |
| JUSTICE | 339,878 | 62,271 | | |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | 54,096 | 58,827 | | |
| PUBLIC PROTECTION AND REGULATION | 40,605 | 74,874 | | |
| TRANSPORTATION | 5,075 | 1,130,027 | | |
| CAPITAL OUTLAY | | | | 135,106 |
| DEBT SERVICE: | | | | |
| PRINCIPAL RETIREMENT | | | 213,500 | |
| INTEREST AND FISCAL CHARGES | | | 222,986 | |
| OTHER EXPENDITURES | | | 1,543 | |
| TOTAL EXPENDITURES | <u>4,522,804</u> | <u>5,548,493</u> | <u>438,029</u> | <u>135,106</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,377,427</u> | <u>81,109</u> | <u>(401,281)</u> | <u>(102,010)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| OPERATING TRANSFERS IN | 291,239 | 631,975 | 361,735 | 1,860 |
| OPERATING TRANSFERS OUT | (368,752) | (798,545) | (9,782) | (52,668) |
| TRANSFERS FROM PRIMARY GOVERNMENT | | | | |
| TRANSFERS TO COMPONENT UNITS | (825,063) | | | |
| PROCEEDS FROM SALE OF BONDS: | | | | |
| NEW ISSUES | | 163,605 | | 80,888 |
| REFUNDING ISSUES | | | 44,264 | |
| CAPITALIZED LEASES | 272 | 298 | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(902,304)</u> | <u>(2,667)</u> | <u>396,217</u> | <u>30,080</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>475,123</u> | <u>78,442</u> | <u>(5,064)</u> | <u>(71,930)</u> |
| FUND BALANCE AT JULY 1 (NOTE 2), AS RESTATED | 338,448 | 1,118,624 | 358,438 | 438,111 |
| INCREASE (DECREASE) IN INVENTORIES | 810 | (1,419) | | |
| RESIDUAL EQUITY TRANSFER IN (OUT) | 785 | | | |
| FUND BALANCE AT JUNE 30 | <u>\$ 815,166</u> | <u>\$ 1,195,647</u> | <u>\$ 353,374</u> | <u>\$ 366,181</u> |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | General Fund | | | Special Revenue | | |
|---|--------------|--------------|------------|-----------------|--------------|-----------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| REVENUES: | | | | | | |
| BUDGETED: | | | | | | |
| TAXES | \$ 5,701,153 | \$ 5,714,603 | \$ 13,450 | \$ 846,925 | \$ 849,197 | \$ 2,272 |
| LICENSES, FEES, AND PERMITS | 21,302 | 20,675 | (627) | 96,637 | 98,206 | 1,569 |
| INTERGOVERNMENTAL | 4,660 | 7,049 | 2,389 | | | |
| CHARGES FOR SERVICES | 2,388 | 3,935 | 1,547 | 20,240 | 20,625 | 385 |
| FINES AND FORFEITS | 43,744 | 43,081 | (663) | 40 | 32 | (8) |
| INTEREST AND OTHER INVESTMENT INCOME | 49,523 | 60,019 | 10,496 | 36,500 | 41,951 | 5,451 |
| LOTTERY PROCEEDS | 153,000 | 153,000 | | | | |
| OTHER REVENUES | 12,699 | 2,608 | (10,091) | 2,400 | 1,055 | (1,345) |
| TRANSFERS IN | 12,975 | 10,887 | (2,088) | | | |
| TOTAL BUDGETED REVENUES | 6,001,444 | 6,015,857 | 14,413 | 1,002,742 | 1,011,066 | 8,324 |
| NON-BUDGETED: | | | | | | |
| TAXES | | | | | 204,374 | |
| LICENSES, FEES, AND PERMITS | | | | | 66,627 | |
| INTERGOVERNMENTAL | | | | | 3,435,311 | |
| CHARGES FOR SERVICES | | | | | 1,180,507 | |
| FINES AND FORFEITS | | | | | 2,078 | |
| INTEREST AND OTHER INVESTMENT INCOME | | | | | 40,993 | |
| EMPLOYER CONTRIBUTIONS | | | | | 110 | |
| OTHER REVENUES | | 19 | 19 | | 184,885 | |
| ESCHEAT REVENUE | | 6,817 | 6,817 | | | |
| TRANSFERS IN (INTERFUND) | | 127,530 | 127,530 | | 307,334 | |
| TRANSFERS IN (INTRAFUND) | | | | | 696,928 | |
| TOTAL NON-BUDGETED REVENUES | | 134,366 | 134,366 | | 6,119,147 | |
| TOTAL REVENUES | 6,001,444 | 6,150,223 | 148,779 | | 7,130,213 | |
| EXPENDITURES: | | | | | | |
| GENERAL GOVERNMENT | 1,699,144 | 1,369,662 | 329,482 | 1,568,877 | 1,219,279 | 349,598 |
| LEGISLATIVE AND JUDICIAL | 186,856 | 166,224 | 20,632 | 8,402 | 4,059 | 4,343 |
| COMMERCE | 130,365 | 120,202 | 10,163 | 31,719 | 30,464 | 1,255 |
| EDUCATION AND HUMANITIES | 2,691,786 | 2,686,820 | 4,966 | 601,480 | 559,348 | 42,132 |
| HUMAN RESOURCES | 1,142,340 | 1,118,038 | 24,302 | 3,139,933 | 2,784,012 | 355,921 |
| JUSTICE | 360,783 | 360,350 | 433 | 122,882 | 106,827 | 16,055 |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | 52,256 | 52,255 | 1 | 90,735 | 63,107 | 27,628 |
| PUBLIC PROTECTION AND REGULATION | 70,538 | 69,921 | 617 | 87,191 | 80,142 | 7,049 |
| TRANSPORTATION | 9,827 | 5,671 | 4,156 | 2,809,144 | 1,310,990 | 1,498,154 |
| TOTAL EXPENDITURES | 6,343,895 | 5,949,143 | 394,752 | 8,460,363 | 6,158,228 | 2,302,135 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (342,451) | 201,080 | 543,531 | | 971,985 | |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| TURNPIKE AUTHORITY | | | | 935 | 935 | |
| RECEIPTS FROM TRUSTEES | | | | | 140 | |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | 935 | 1,075 | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (342,451) | 201,080 | 543,531 | | 973,060 | |
| FUND BALANCE/FUND EQUITY AT JULY 1 | 538,075 | 538,075 | | | 1,340,353 | |
| NON-BUDGETED ITEMS | | (8,617) | (8,617) | | (907,456) | |
| FIXED ASSET ALLOCATION | | | | | | |
| RESIDUAL EQUITY TRANSFERS | | 785 | 785 | | | |
| FUND BALANCE/FUND EQUITY AT JUNE 30 | \$ 195,624 | \$ 731,323 | \$ 535,699 | \$ | \$ 1,405,957 | \$ |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

| Enterprise | | | Internal Service | | | Expendable Trust | | |
|------------|------------|----------|------------------|-----------|----------|------------------|------------|----------|
| Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | 14 | | | 6 | | | 16,370 | |
| | 105,635 | | | 98,087 | | | 9 | |
| | 637 | | | 447 | | | 38,533 | |
| | 9,718 | | | 26,691 | | | 249,007 | |
| | 87,664 | | | 504 | | | 1,923 | |
| | 61,854 | | | 1,560 | | | 3,400 | |
| | 267,332 | | | 127,295 | | | 309,242 | |
| | 532,854 | | | 127,295 | | | 309,242 | |
| | 532,854 | | | 127,295 | | | 309,242 | |
| 7,755 | 5,061 | 2,694 | 97,718 | 84,138 | 13,580 | | | |
| 47,333 | 44,605 | 2,728 | | | | | | |
| 1,905 | 1,196 | 709 | | | | 241,800 | 240,727 | 1,073 |
| | | | 14,067 | 12,757 | 1,310 | | | |
| 702 | 420 | 282 | | | | | | |
| 487,918 | 317,090 | 170,828 | 537 | 511 | 26 | | | |
| | | | 21,033 | 20,398 | 635 | | | |
| 545,613 | 368,372 | 177,241 | 133,355 | 117,804 | 15,551 | 241,800 | 240,727 | 1,073 |
| | 164,482 | | | 9,491 | | | 68,515 | |
| | | | | | | | | |
| | | | | | | | | |
| | 164,482 | | | 9,491 | | | 68,515 | |
| | 277,960 | | | 43,789 | | | 550,531 | |
| | (130,843) | | | (8,231) | | | (3,400) | |
| | 23,882 | | | 28,405 | | | | |
| | | | | 1,830 | | | | |
| \$ | \$ 335,481 | \$ | \$ | \$ 75,284 | \$ | \$ | \$ 615,646 | \$ |

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | Component Units | | |
|--------------------------------------|-----------------|------------|----------|
| | Budget | Actual | Variance |
| REVENUES: | | | |
| BUDGETED: | | | |
| TAXES | \$ | \$ | \$ |
| LICENSES, FEES, AND PERMITS | | | |
| INTERGOVERNMENTAL | | | |
| CHARGES FOR SERVICES | | | |
| FINES AND FORFEITS | | | |
| INTEREST AND OTHER INVESTMENT INCOME | | | |
| LOTTERY PROCEEDS | | | |
| OTHER REVENUES | | | |
| TRANSFERS IN | | | |
| TOTAL BUDGETED REVENUES | | | |
| NON-BUDGETED: | | | |
| TAXES | | | |
| LICENSES, FEES, AND PERMITS | | | |
| INTERGOVERNMENTAL | | | |
| CHARGES FOR SERVICES | | 27,360 | |
| FINES AND FORFEITS | | 1 | |
| INTEREST AND OTHER INVESTMENT | | | |
| EMPLOYER CONTRIBUTIONS | | | |
| OTHER REVENUES | | 140 | |
| ESCHEAT REVENUE | | | |
| TRANSFERS IN (INTERFUND) | | 14 | |
| TRANSFERS IN (INTRAFUND) | | 371 | |
| TOTAL NON-BUDGETED REVENUES | | 27,886 | |
| TOTAL REVENUES | | 27,886 | |
| EXPENDITURES: | | | |
| GENERAL GOVERNMENT | | | |
| LEGISLATIVE AND JUDICIAL | | | |
| COMMERCE | 24,252 | 24,252 | |
| EDUCATION AND HUMANITIES | | | |
| HUMAN RESOURCES | | | |
| JUSTICE | | | |
| NATURAL RESOURCES AND | | | |
| ENVIRONMENTAL PROTECTION | | | |
| PUBLIC PROTECTION AND | | | |
| REGULATION | | | |
| TRANSPORTATION | | | |
| TOTAL EXPENDITURES | 24,252 | 24,252 | |
| EXCESS OF REVENUES OVER | | | |
| (UNDER) EXPENDITURES | | 3,634 | |
| OTHER FINANCING SOURCES (USES): | | | |
| TURNPIKE AUTHORITY | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | | | |
| EXCESS OF REVENUES AND OTHER | | | |
| FINANCING SOURCES OVER (UNDER) | | | |
| EXPENDITURES AND OTHER | | | |
| FINANCING USES | | 3,634 | |
| FUND BALANCES/FUND EQUITY AT JULY 1 | | 118,112 | |
| NON-BUDGETED ITEMS | | (1,872) | |
| FIXED ASSET ALLOCATION | | | |
| RESIDUAL EQUITY TRANSFERS | | | |
| FUND BALANCES/FUND EQUITY AT JUNE 30 | \$ | \$ 119,874 | \$ |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Proprietary Fund Types | | Totals Primary Government | Component | Totals Reporting Entity |
|---|------------------------|---------------------|---------------------------------|------------|-------------------------------|
| | Enterprise | Internal Service | (Memorandum Only) | Units | (Memorandum Only) |
| | | | | | |
| OPERATING REVENUES: | | | | | |
| CHARGES FOR SERVICES | \$ 296,056 | \$ 124,278 | \$ 420,334 | \$ 45,839 | \$ 466,173 |
| INTEREST AND OTHER INVESTMENT INCOME | 48,522 | | 48,522 | 147,679 | 196,201 |
| LOTTERY PROCEEDS | 584,989 | | 584,989 | | 584,989 |
| OTHER REVENUES | 15,510 | 624 | 16,134 | 18,630 | 34,764 |
| TOTAL OPERATING REVENUES | 945,077 | 124,902 | 1,069,979 | 212,148 | 1,282,127 |
| OPERATING EXPENSES: | | | | | |
| PERSONAL SERVICES | 80,262 | 46,733 | 126,995 | 47,559 | 174,554 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 14,255 | 23,028 | 37,283 | 19,477 | 56,760 |
| COMMODITIES AND SUPPLIES | 24,422 | 21,187 | 45,609 | 2,488 | 48,097 |
| GRANTS AND SUBSIDIES | 176 | 758 | 934 | 34,532 | 35,466 |
| DEPRECIATION AND AMORTIZATION | 6,748 | 11,530 | 18,278 | 12,222 | 30,500 |
| INTEREST | | | | 95,172 | 95,172 |
| TRAVEL | 1,376 | 374 | 1,750 | 1,007 | 2,757 |
| REINSURANCE EXPENSE | | 1,860 | 1,860 | | 1,860 |
| CLAIMS EXPENSE | 263,182 | 18,222 | 281,404 | | 281,404 |
| CLAIM ADJUSTMENT EXPENSE | 260 | | 260 | | 260 |
| PRIZE EXPENSE | 350,080 | | 350,080 | | 350,080 |
| OTHER EXPENSES | 65,842 | | 65,842 | 27,833 | 93,675 |
| TOTAL OPERATING EXPENSES | 806,603 | 123,692 | 930,295 | 240,290 | 1,170,585 |
| OPERATING INCOME (LOSS) | 138,474 | 1,210 | 139,684 | (28,142) | 111,542 |
| NONOPERATING REVENUE (EXPENSES): | | | | | |
| INTERGOVERNMENTAL REVENUE | | | | 1,587 | 1,587 |
| GRANTS AND DONATIONS | | | | 27,059 | 27,059 |
| MEMBERSHIP REVENUE | | | | 301 | 301 |
| KENTUCKY CENTER FOR THE ARTS ENDOWMENT | | | | 876 | 876 |
| GAIN (LOSS) ON SALE OF FIXED ASSETS | (74) | 793 | 719 | 32 | 751 |
| INTEREST AND OTHER INVESTMENT INCOME | 25,513 | | 25,513 | 173 | 25,686 |
| INTEREST EXPENSE | (331) | (460) | (791) | (1,082) | (1,873) |
| OTHER REVENUES (EXPENSES) | 3 | 6 | 9 | (907) | (898) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 25,111 | 339 | 25,450 | 28,039 | 53,489 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS | 163,585 | 1,549 | 165,134 | (103) | 165,031 |
| OPERATING TRANSFERS IN | 54,231 | 2,828 | 57,059 | | 57,059 |
| TRANSFERS FROM PRIMARY GOVERNMENT | | | | 57,991 | 57,991 |
| TRANSFERS FROM COMPONENT UNITS | | | | 3,318 | 3,318 |
| OPERATING TRANSFERS OUT | (163,526) | (3,556) | (167,082) | | (167,082) |
| TRANSFERS TO PRIMARY GOVERNMENT | | | | (371) | (371) |
| TRANSFERS TO COMPONENT UNITS | | | | (3,339) | (3,339) |
| NET INCOME (LOSS) | 54,290 | 821 | 55,111 | 57,496 | 112,607 |
| ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS | 1,911 | 5,793 | 7,704 | 5,435 | 13,139 |
| INCREASE (DECREASE) IN RETAINED EARNINGS | 56,201 | 6,614 | 62,815 | 62,931 | 125,746 |
| RETAINED EARNINGS | | | | | |
| AT JULY 1 (NOTE 2), AS RESTATED | (1,044,862) | (27,867) | (1,072,729) | 641,720 | (431,009) |
| RESIDUAL EQUITY TRANSFER | | (955) | (955) | | (955) |
| RETAINED EARNINGS | | | | | |
| AT JUNE 30 | \$ (988,661) | \$ (22,208) | \$ (1,010,869) | \$ 704,651 | \$ (306,218) |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Pension Benefits | Healthcare Benefits | Totals (Memorandum Only) |
|--|-----------------------------|--------------------------------|-------------------------------------|
| ADDITIONS | | | |
| CONTRIBUTIONS: | | | |
| EMPLOYER | \$ 589,333 | \$ 129,972 | \$ 719,305 |
| MEMBER | 354,009 | 33,137 | 387,146 |
| TOTAL CONTRIBUTIONS | <u>943,342</u> | <u>163,109</u> | <u>1,106,451</u> |
| INVESTMENT INCOME: | | | |
| NET APPRECIATION IN FAIR VALUE OF INVESTMENTS | 3,005,511 | 92,424 | 3,097,935 |
| INTEREST | 510,522 | 13,137 | 523,659 |
| DIVIDENDS | 192,460 | 6,365 | 198,825 |
| REAL ESTATE OPERATING INCOME, NET | 40,146 | | 40,146 |
| SECURITIES LENDING INCOME | 98,692 | 4,100 | 102,792 |
| TOTAL INVESTMENT INCOME | <u>3,847,331</u> | <u>116,026</u> | <u>3,963,357</u> |
| LESS: INVESTMENT EXPENSE | 9,051 | 84 | 9,135 |
| LESS: SECURITIES LENDING EXPENSE | 96,380 | 4,003 | 100,383 |
| NET INVESTMENT INCOME | <u>3,741,900</u> | <u>111,939</u> | <u>3,853,839</u> |
| TOTAL ADDITIONS | <u>4,685,242</u> | <u>275,048</u> | <u>4,960,290</u> |
| DEDUCTIONS: | | | |
| BENEFIT PAYMENTS | 852,920 | | 852,920 |
| REFUNDS | 28,980 | 3 | 28,983 |
| ADMINISTRATIVE EXPENSE | 10,972 | 2,602 | 13,574 |
| OTHER DEDUCTIONS, NET | 94,804 | 110,254 | 205,058 |
| TOTAL DEDUCTIONS | <u>987,676</u> | <u>112,859</u> | <u>1,100,535</u> |
| NET INCREASE | <u>3,697,566</u> | <u>162,189</u> | <u>3,859,755</u> |
| NET ASSETS HELD IN TRUST | | | |
| BEGINNING OF YEAR | 18,399,328 | 538,574 | 18,937,902 |
| END OF YEAR | <u>\$ 22,096,894</u> | <u>\$ 700,763</u> | <u>\$ 22,797,657</u> |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Proprietary Fund Types | | Totals | Component | Totals |
|---|------------------------|----------|-------------|-------------|--------------|
| | Internal | | Primary | | Reporting |
| | Enterprise | Service | (Memorandum | Units | Entity |
| | | | Only) | | (Memorandum |
| | | | Only) | | Only) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| CASH RECEIVED FROM CUSTOMERS - PUBLIC | \$ 880,603 | \$ 141 | \$ 880,744 | \$ 126,746 | \$ 1,007,490 |
| CASH RECEIVED FROM CUSTOMERS - STATE | 2,393 | 128,923 | 131,316 | | 131,316 |
| COLLECTION OF PROGRAM LOANS | | | | 281,190 | 281,190 |
| PROGRAM LOANS ISSUED | | | | (295,047) | (295,047) |
| CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES | (100,688) | (44,553) | (145,241) | (153,432) | (298,673) |
| CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS | (79,911) | (46,662) | (126,573) | (44,885) | (171,458) |
| CASH PAYMENTS FOR CLAIMS EXPENSE | (647,166) | (16,714) | (663,880) | | (663,880) |
| CASH PAYMENTS (TO) FROM OTHER SOURCES | 5,741 | (2,931) | 2,810 | (11,788) | (8,978) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 60,972 | 18,204 | 79,176 | (97,216) | (18,040) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| PROCEEDS FROM BOND ISSUANCE | | | | 180,121 | 180,121 |
| PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE | | | | (84) | (84) |
| PRINCIPAL PAYMENT ON DEBT | | | | (172,182) | (172,182) |
| DEBT RELATED EXPENSES | | | | (72,192) | (72,192) |
| SUBSIDIES | | | | 56,738 | 56,738 |
| RESIDUAL EQUITY TRANSFER IN (OUT) | | (955) | (955) | | (955) |
| OPERATING TRANSFERS-IN FROM OTHER FUNDS | 46,990 | 2,828 | 49,818 | 34,612 | 84,430 |
| OPERATING TRANSFERS-OUT TO OTHER FUNDS | (157,403) | (3,556) | (160,959) | (3,339) | (164,298) |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | (110,413) | (1,683) | (112,096) | 23,674 | (88,422) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS | (5,169) | (12,097) | (17,266) | (25,281) | (42,547) |
| PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS | (1,018) | (4,728) | (5,746) | (3,269) | (9,015) |
| INCREASE IN RESTRICTED ASSET-CONSTRUCTION ACCOUNT | | | | 5,137 | 5,137 |
| RESTRICTED INCOME-CONSTRUCTION | | | | 300 | 300 |
| INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS | (331) | (460) | (791) | (3,170) | (3,961) |
| PROCEEDS FROM SALE OF EQUIPMENT | 15 | 1,023 | 1,038 | 55 | 1,093 |
| CONTRIBUTED CAPITAL | | | | 11,951 | 11,951 |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | (6,503) | (16,262) | (22,765) | (14,277) | (37,042) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| PURCHASE OF INVESTMENT SECURITIES | (60,792) | (6,058) | (66,850) | (1,176,193) | (1,243,043) |
| PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES | 84,992 | 625 | 85,617 | 1,090,609 | 1,176,226 |
| INTEREST AND DIVIDENDS ON INVESTMENTS | 62,974 | 467 | 63,441 | 52,628 | 116,069 |
| NET CASH USED IN INVESTING ACTIVITIES | 87,174 | (4,966) | 82,208 | (32,956) | 49,252 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 31,230 | (4,707) | 26,523 | (120,775) | (94,252) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 106,290 | 9,585 | 115,875 | 487,890 | 603,765 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 137,520 | \$ 4,878 | \$ 142,398 | \$ 367,115 | \$ 509,513 |

| | Proprietary Fund Types | | Totals | Component | Totals |
|---|------------------------|-----------|-------------|-------------|-------------|
| | Internal | | Primary | Units | Reporting |
| | Enterprise | Service | Government | | Entity |
| | | | (Memorandum | | (Memorandum |
| | | | Only) | | Only) |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | | | | |
| PROVIDED BY OPERATING ACTIVITIES: | | | | | |
| OPERATING INCOME (LOSS) | \$ 138,474 | \$ 1,210 | \$ 139,684 | \$ (28,142) | \$ 111,542 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | | |
| PROVISION FOR UNCOLLECTIBLE ACCOUNTS | | | | 497 | 497 |
| DEPRECIATION AND AMORTIZATION | 6,748 | 11,530 | 18,278 | 12,222 | 30,500 |
| INTEREST AND OTHER INVESTMENT INCOME | (59,412) | (467) | (59,879) | 4,045 | (55,834) |
| INTEREST EXPENSE | | | | 12,216 | 12,216 |
| MISCELLANEOUS NONOPERATING INCOME (EXPENSES) | (13) | 6 | (7) | (47,242) | (47,249) |
| CHANGE IN ASSETS AND LIABILITIES: | | | | | |
| (INCREASE) DECREASE IN ASSETS | | | | | |
| RECEIVABLES, NET | 589 | 1,018 | 1,607 | (59,013) | (57,406) |
| INTERFUND RECEIVABLES | 2,114 | 1,571 | 3,685 | | 3,685 |
| INVENTORIES | 2,400 | 1,142 | 3,542 | 209 | 3,751 |
| PREPAID EXPENSES | 2 | (474) | (472) | (459) | (931) |
| OTHER ASSETS | 2,260 | | 2,260 | (935) | 1,325 |
| INCREASE (DECREASE) IN LIABILITIES | | | | | |
| ACCOUNTS PAYABLE | 1,882 | 170 | 2,052 | 8,793 | 10,845 |
| INTERFUND PAYABLES | (1,096) | (1,165) | (2,261) | | (2,261) |
| CLAIMS LIABILITY | (34,303) | 1,110 | (33,193) | | (33,193) |
| CLAIMS ADJUSTMENT LIABILITY | 260 | | 260 | | 260 |
| COMPENSATED ABSENCES | 372 | 361 | 733 | 525 | 1,258 |
| OTHER LIABILITIES | | | | 2,361 | 2,361 |
| DEFERRED REVENUE | 695 | 2,192 | 2,887 | (2,293) | 594 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 60,972 | \$ 18,204 | \$ 79,176 | \$ (97,216) | \$ (18,040) |

RECONCILIATION OF CASH AND CASH EQUIVALENTS, JUNE 30, 1998

| | Component |
|---|------------|
| | Units |
| PER COMBINED BALANCE SHEET | \$ 809,388 |
| LESS: UNIVERSITIES | (442,273) |
| CASH AND CASH EQUIVALENTS FOR PROPRIETARY COMPONENT UNITS | \$ 367,115 |

THE PROPRIETARY FUND TYPES ACQUIRED ASSETS OF \$53,621,000 THROUGH NON-CASH TRANSACTIONS. CONTRIBUTED CAPITAL TOTALED \$52,940,000. CAPITAL LEASES TOTALED \$681,000. PAYMENTS FOR PRINCIPAL AND INTEREST FOR THE YEAR WERE \$163,000 AND \$15,000, RESPECTIVELY. GRAND PRIZE INVESTMENTS AND THE RELATED PRIZE LIABILITY WERE INCREASED DURING THE YEAR BY APPROXIMATELY \$22,835,000 ACCRETION OF INTEREST.

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
 ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Totals June 30, 1998 |
|---|---------------------------------|
| REVENUES: | |
| TUITION AND FEES | \$ 340,724 |
| FEDERAL GRANTS AND CONTRACTS | 157,309 |
| STATE/LOCAL GRANTS AND CONTRACTS | 40,832 |
| PRIVATE GIFTS, GRANTS AND CONTRACTS | 77,001 |
| ENDOWMENT INCOME | 6,274 |
| SALES AND SERVICES OF EDUCATION ACTIVITIES | 67,964 |
| SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS | 386,635 |
| OTHER REVENUES | 159,752 |
| TOTAL CURRENT REVENUES | <u>1,236,491</u> |
| EXPENDITURES AND TRANSFERS: | |
| EDUCATIONAL AND GENERAL: | |
| INSTRUCTION | 591,043 |
| RESEARCH | 89,304 |
| PUBLIC SERVICE | 193,389 |
| ACADEMIC SUPPORT | 111,816 |
| LIBRARIES | 52,284 |
| STUDENT SERVICES | 76,294 |
| INSTITUTIONAL SUPPORT | 132,142 |
| STUDENT FINANCIAL AID | 158,344 |
| MAINTENANCE AND OPERATION | 108,771 |
| OTHER EXPENDITURES | 6,770 |
| TOTAL EDUCATIONAL AND GENERAL EXPENDITURES | <u>1,520,157</u> |
| MANDATORY TRANSFERS FOR: | |
| PRINCIPAL AND INTEREST | 65,958 |
| LOAN FUND | 272 |
| UNEXPENDED PLANT FUND | 2,329 |
| RENEWAL AND REPLACEMENT | 64 |
| RETIREMENT OF INDEBTEDNESS | 2,823 |
| NON-MANDATORY TRANSFERS FOR: | |
| CURRENT FUND - UNRESTRICTED | (18,229) |
| AUXILLARY ENTERPRISES AND HOSPITALS - UNRESTRICTED | (77) |
| CURRENT FUND - RESTRICTED | (3,940) |
| LOAN FUND | |
| ENDOWMENT AND SIMILAR FUNDS | 497 |
| FOUNDATIONS | 4,050 |
| UNEXPENDED PLANT FUND | 41,653 |
| RENEWAL AND REPLACEMENT | 3,379 |
| RETIREMENT OF INDEBTEDNESS | (559) |
| TOTAL EDUCATIONAL AND GENERAL | <u>1,618,377</u> |
| AUXILIARY ENTERPRISES AND HOSPITALS: | |
| EXPENDITURES | 389,030 |
| MANDATORY TRANSFERS FOR: | |
| PRINCIPAL AND INTEREST | 13,186 |
| RENEWAL AND REPLACEMENT | 17 |
| RETIREMENT OF INDEBTEDNESS | 1,635 |
| NON-MANDATORY TRANSFERS FOR: | |
| CURRENT FUND - UNRESTRICTED | 4,991 |
| AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED | (8) |
| UNEXPENDED PLANT FUND | 591 |
| RENEWAL AND REPLACEMENT | 2,588 |
| TOTAL AUXILIARY ENTERPRISES AND HOSPITALS | <u>412,030</u> |
| TOTAL EXPENDITURES AND TRANSFERS | <u>2,030,407</u> |
| OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS): | |
| TRANSFERS FROM PRIMARY GOVERNMENT | 774,636 |
| TRANSFERS TO PRIMARY GOVERNMENT | 3,699 |
| EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE | 17,454 |
| INDIRECT COST RECOVERED | 5,692 |
| REFUNDS TO GRANTORS | (239) |
| OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS) | 2,730 |
| NET INCREASE (DECREASE) IN FUND BALANCE | <u>\$ 10,056</u> |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF CHANGES IN FUND BALANCE
 ALL UNIVERSITY AND COLLEGE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Totals June 30, 1998 |
|--|---------------------------------|
| REVENUES AND OTHER ADDITIONS: | |
| EDUCATIONAL AND GENERAL REVENUES | \$ 605,737 |
| AUXILIARY ENTERPRISES AND HOSPITALS REVENUES | 389,807 |
| INDIRECT COST RECOVERED | 5,821 |
| RESTRICTED GRANTS AND CONTRACTS | 338,879 |
| RESTRICTED GIFTS AND GRANTS | 65,597 |
| ENDOWMENT INCOME | 5,201 |
| INTEREST AND OTHER INVESTMENT INCOME | 59,847 |
| EXPENDED FOR PLANT FACILITIES | 180,992 |
| RETIREMENT OF INDEBTEDNESS | 63,413 |
| OTHER REVENUE AND ADDITIONS | 234,058 |
| TOTAL REVENUES AND OTHER ADDITIONS | <u>1,949,352</u> |
| EXPENDITURES AND OTHER DEDUCTIONS: | |
| EDUCATIONAL AND GENERAL EXPENDITURES | 1,512,977 |
| AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES | 389,030 |
| REFUNDS TO GRANTORS | 277 |
| ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS | 601 |
| LOAN CANCELLATIONS | 969 |
| PAYMENT TO BENEFICIARIES | 800 |
| EXPENDED FOR PLANT FACILITIES | 94,671 |
| RETIREMENT OF INDEBTEDNESS | 52,775 |
| INTEREST PAYMENTS | 44,056 |
| DISPOSAL OF PLANT FACILITIES | 63,948 |
| NOTES ISSUED | 2,102 |
| OTHER EXPENDITURES | 287,040 |
| TOTAL EXPENDITURES AND OTHER DEDUCTIONS | <u>2,449,246</u> |
| TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS): | |
| NON-MANDATORY TRANSFERS FOR: | |
| TRANSFERS FROM PRIMARY GOVERNMENT | 782,065 |
| TRANSFERS TO PRIMARY GOVERNMENT | (34,386) |
| TOTAL TRANSFERS AMONG FUNDS | <u>747,679</u> |
| INCREASE (DECREASE) IN FUND BALANCE | 247,785 |
| FUND BALANCE AT JULY 1, (NOTE 2) AS RESTATED | 3,222,867 |
| FUND BALANCE AT JUNE 30 | <u>\$ 3,470,652</u> |

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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TO COMBINED FINANCIAL STATEMENTS**

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Note 1

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University and College Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the AICPA Audit Guide, Audits of Colleges and Universities.

B. Financial Reporting Entity - For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, account groups, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational entities comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and those which are legally separate. Organizations, not legally separate, are reported as part of the primary government. Legally separate organizations are reported as component units if either, the Commonwealth is financially accountable or whose exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services almost entirely or exclusively to the primary government or their governing body is substantively the same as the governing body for the primary government. All other component units are discretely presented.

Audited financial statements are available for the following blended component units: Kentucky Lottery Corporation and the Kentucky Turnpike Authority. Audited financial statements are available for all discretely presented component units except the Kentucky Agricultural Finance Authority and the Kentucky Grain Insurance Corporation. (See page 84 for complete list of component units' addresses.)

Blended Component Units

The following legally separate organizations provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government using the blending method.

State Property and Buildings Commission (KRS 56.450)

This commission is a public body corporate created to issue all revenue bonds for state agencies, unless those agencies are specifi-

cally authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

Kentucky Asset/Liability Commission (KRS 56.861)

The Commission is a public body corporate, created to take a comprehensive view of the Commonwealth's finances and develop policies and strategies to minimize the impact of fluctuating revenue receipts and interest rates on the Commonwealth's interest-sensitive assets and liabilities. The Commission consists of five ex officio members.

Kentucky River Authority (KRS 151.710)

The Kentucky River Authority possesses the corporate powers that would distinguish it as being legally separate from the Commonwealth. This authority's sole purpose is the maintenance of the Commonwealth's locks and dams on the Kentucky River. The Governor appoints the ten members of this authority.

Kentucky Lottery Corporation (KRS 154A.020)

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of seven members appointed by the Governor with the advice and consent of the Senate.

Kentucky School Facilities Construction Commission (KRS 157.617)

The commission is an independent corporate agency and instrumentality of the Commonwealth. The purpose of the Commission is to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs. One ex officio member and eight members appointed by the Governor comprise the Commission. The Commission was audited in conjunction with the Commonwealth's financial statements.

Turnpike Authority of Kentucky (KRS 175.430)

The Turnpike Authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public purposes of constructing, acquiring, financing, and operating turnpike and other road projects for the use, safety, convenience and general welfare of the traveling public, by leasing such projects to the Transportation Cabinet. The seven members of the authority are all ex officio members, including the Governor.

Kentucky Teachers' Retirement System (KRS 161.220)

The Kentucky Teachers' Retirement System is an independent

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Notes to Combined Financial Statements
June 30, 1998

agency and instrumentality of the Commonwealth created to provide pension benefit plan coverage for local school districts and educational agencies of the state. The board includes two ex official members and seven elected members.

Kentucky Retirement System (KRS 61.645)

The Kentucky Retirement Systems administers the Kentucky Employees Retirement System, the County Employees Retirement and the State Police Retirement System. The board consists of the Secretary of the Personnel Cabinet, five members elected by the retirement systems and three members appointed by the Governor.

Board of Agriculture (KRS 246.120)

The board is a body corporate created to act as an advisory board to the Commissioner of Agriculture and aid him in the collection of information concerning crops and in the promulgation of industrial information and act as an immigration committee. The board consists of nine members, two ex officio members and seven citizens of the Commonwealth appointed by the Governor.

Kentucky Savings Bond Authority (KRS 293.030)

The authority is a body corporate and politic created to promote investment by the general public in bonds of the Commonwealth and to reduce interest costs to the Commonwealth or its agencies. The authority consists of seven commissioners, three ex officio members and four members appointed by the Governor.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported in a separate discrete column that is labeled as "Component Units" to emphasize these organizations' separateness from the State's primary government.

Bluegrass State Skills Corporation (KRS 154.12-205)

This corporation was created and established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skills training and education. The board of directors consists of eighteen members, five ex officio members and thirteen members appointed by the Governor.

Kentucky State Fair Board (KRS 247.090)

This board is a body corporate created to account for revenues earned and expenses incurred in the commercial operations of the State Fair Board. Twelve members compose the board, three ex officio members, the other nine appointed by the Governor.

Kentucky Center for the Arts Corporation (KRS 153.410)

The Center for the Arts is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor.

Kentucky Educational Television Authority (KRS 168.030)

KET is a public body corporate and politic created to prescribe and enforce regulations governing the use of educational television and television facilities and related functions. KET also produces and transmits educational television programs. The authority consists of nine members, five being appointed by the Governor. A component unit of KET is the Kentucky Educational Television Foundation. The foundation is a non-profit Kentucky corporation, which receives, holds and administers gifts and grants in the name of and with the approval of the authority.

Kentucky Economic Development Finance Authority (KRS 154.20-010)

KEDFA possesses the corporate powers necessary to distinguish it as being legally separate from the Commonwealth and was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic growth. The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include: The Commonwealth Small Business Development Corporation, the Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units have been combined with those of the authority.

Kentucky Higher Education Assistance Authority (KRS 164.742)

This authority is a body corporate and politic created to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions, and by insuring eligible student loans.

Kentucky Higher Education Student Loan Corporation (KRS 164A.050)

KHESLC is a body corporate and public created to perform essential governmental and public functions and purposes in improving and promoting the education opportunities of the citizens of the Commonwealth. The board of directors consists of seven members, three ex officio members and four members appointed by the Governor.

Kentucky Educational Savings Plan Trust (KRS 164A.310)

This trust was established to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation (KRS 198A.030)

The Housing Corporation is a body corporate and public created to perform essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor.

Kentucky Infrastructure Authority (KRS 224A.030)

The authority is a body corporate and politic created solely to perform essential governmental functions and to serve the local public agencies in the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and three members appointed by the Governor.

Kentucky Agricultural Finance Corporation (KRS 247.944)

K AFC is a corporation created to improve and promote the health and general welfare of the people through the promotion of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor.

Kentucky Grain Insurance Corporation (KRS 251.620)

KGIC is a body politic created to promote the state's welfare by improving the economic stability of agriculture and protecting grain producers in the event of the financial failure of a grain dealer or warehousemen. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture.

Kentucky Local Correctional Facilities Construction Authority (KRS 441.615)

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor.

State Colleges, Universities and Kentucky Community Technical College System (KRS 164.350)

Each board of regents or board of trustees are appointed by the Governor, and constitute a body corporate with the power to receive and administer revenue and property.

C. Fund Structure and Basis of Accounting - Primary Government - The accompanying financial statements are structured into three fund categories and two account groups. The fund categories include governmental funds, proprietary funds and fiduciary funds. Account groups are presented for general fixed assets and general long-term obligations.

Governmental Funds include:

General Fund - account for financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

Special Revenue Funds - account for specific revenue sources, other than for expendable trusts or major capital projects, dedicated to specific operations.

Debt Service Fund - account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related administrative costs.

Capital Projects Fund - account for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds and certain trust funds.

All of the governmental funds (where the measurement focus is on the flow of current financial resources) are accounted for on the modified accrual basis of accounting. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Available revenue will be received within 30 days. Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date. Expenditures are recorded at the time liabilities are incurred except: (1) inventories generally are considered expenditures at acquisition; (2) prepayments usually are accounted for as expenditures of the period of acquisition; (3) principal and interest

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on long-term debt are recorded when paid; and (4) compensated absences are accounted for as expenditures of the period when used. Encumbrances represented by executed and unperformed contracts, which have been approved by the Finance and Administration Cabinet, at year end are reported as reservations of fund balance for subsequent year expenditure in the Capital Projects and Transportation Funds. Encumbrances in all other funds lapse at the end of the fiscal year.

Proprietary Funds include:

The State has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the primary government's proprietary funds have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

Enterprise Funds - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State's risk management pools.

Internal Service Funds - account for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis.

All of the proprietary funds (where the measurement focus is on the flow of economic resources) are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and become measurable. Expenses are recognized at the time liabilities are incurred.

Fiduciary Funds include:

Expendable Trust Funds - account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes.

Pension Trust Funds - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems.

Agency Funds - account for monies held by the Commonwealth and deferred compensation plans for custodial purposes only.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting and are reported in the same manner as governmental fund types. Pension Trust Funds are accounted for on the accrual basis of accounting and reported in the same manner as proprietary fund types.

Account Groups include:

General Fixed Assets Account Group - account for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary and fiduciary fund types.

General Long-Term Obligations Account Group - account for unmatured general long-term liabilities of the Commonwealth other than those of the proprietary and fiduciary fund types.

Certain obligations included in the General Long-Term Obligations Account Group for the State Property and Buildings Commission are also reflected in the statements as investments: The State Property and Buildings Commission issued \$41,380,000 Taxable University Refunding bonds. The proceeds from this issue were used to purchase certain outstanding Housing and Dining Revenue bonds of the State's universities. The income from the Housing and Dining bonds will be used to pay the debt service on the Project Revenue bonds. Savings will be used to reduce the universities' debt service requirements. See Note 15 for additional information.

D. Component Units - presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

E. Budgetary Process and Control - The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The Legislature reviews these budget requests, makes any necessary revisions, and legally adopts a biennial budget for each of the three branches of government. The Governor has the power to approve or veto each bill, subject to legislative override.

The financial plan for each fiscal year, as presented in a branch budget recommendation, shall be adopted with such modifications as made by the General Assembly (and explained in a budget memorandum) by the passage of the budget bill and such revenue and other acts necessary for the purpose. A budget bill shall not be effective past July 1 of the year in which the next regular session takes place.

Budgetary control is maintained at the budget unit level as designated by the Legislature (i.e., function, major program area, program, or unit of organization).

Appropriations for the General Fund and Road Fund shall be based upon revenue estimates prepared by the Finance and Administration Cabinet and modifications made by the appropriations committee of the General Assembly. Official revenue estimates are not made for the other budgetary funds.

The funds which have legally adopted annual budgets as part of the primary government include the following: General, Transportation, Federal, Agency Revenue, State Parks, Industries for the Blind, Horse Park, Insurance Administration, Fleet Management, Computer Services, Central Stores, Prison Industries, Central Printing, Property Management, and Risk Management, and Unemployment Trust. In addition, the State Fair Board Fund, which is shown as a discretely presented component unit, has a legally adopted budget. Capital Projects are budgeted on a project length basis.

The funds allotted for each purpose of expenditure shall be used for no other purpose, except that the head of any budget unit, with the approval of the Secretary of the Finance and Administration Cabinet, may transfer allotted funds from one purpose of expenditure to another within the budget unit. No revisions of the allotment schedule may provide for an allotment or allotments in excess of the amount appropriated to that budget unit in a joint budget resolution or for expenditure for any other purpose than specified in a joint budget resolution and a budget memorandum. However, budgetary funds except General Fund, Transportation Fund, and Capital Projects Fund, may be amended in an amount up to the actual receipts (not to exceed 5%) by an Advice of Change Order from the Secretary of the Finance and Administration Cabinet. No supplemental appropriations were required during this fiscal year. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts other than commitments of a continuing nature are reported as reservations of fund balance for subsequent year expenditures. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year except in the Capital Projects and Transportation Funds, which have project length budgets. Encumbrances are carried forward as revisions to appropriations.

The annual budget is prepared principally on the cash basis, which basis differs from generally accepted accounting principles (GAAP). A reconciliation between the budgetary basis and the GAAP basis is presented in Note 4.

F. Cash and Cash Equivalents - In addition to bank accounts, cash on hand, and imprest cash, this classification includes short-term investments with a maturity of 90 days or less, from date of purchase. Cash equivalents are generally stated at cost, which approximates market. Deferred Compensation amounts are reported at market. Short-term investments, classified as cash equivalents at June 30, 1998 are \$2,234,727,063.

G. Investments - This classification includes long-term investments which are stated at cost, amortized cost, or fair value. Investments of the Deferred Compensation Plan are reported at market value. See Note 5 for investment detail.

H. Receivables - Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues which are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. The allowance for uncollectibles amounted to \$509,911,080.

I. Interfund Transactions - The Commonwealth has the following types of interfund transactions:

Quasi-external Transactions - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Residual Equity Transfers - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance.

Operating Transfers - Legally authorized transfers other than residual equity transfers are reported as operating transfers in the financial statements.

The composition of the interfund transactions is presented in Note 7.

J. Inventories - Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase. Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used. Inventories are valued at cost (first-in, first-out, or average cost).

K. Fixed Assets and Depreciation-General Fixed Assets - The policy of the primary government is to capitalize all land, buildings, and equipment having an acquisition cost of \$5,000 or greater. Component units establish their own capital capitalization policy and that policy may vary from the amount of the primary government. All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition. Fixed assets are valued in the

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General Fixed Assets Account Group at historical cost, estimated historical cost or fair market value at time of donation. Buildings of \$751,136,000 at June 30, 1998, were valued as follows: \$352,769,000 at estimated historical cost, \$345,501,000 at historical cost and \$52,866,000 at fair market value at time of donation. Land of \$80,847,000 at June 30, 1998, was valued as follows: \$34,083,000 at estimated historical cost, \$33,278,000 at historical cost, and \$13,486,000 at fair market value at time of donation. The estimates of historical cost were based on appraised value, as of June 30, 1986, indexed to the date of acquisition. Also, public domain (infrastructure) general fixed assets such as highways, curbs, bridges, and right-of-ways are not capitalized. No depreciation is provided on general fixed assets.

Proprietary and Similar Fiduciary Fund Types - Fund fixed assets acquired or constructed have been stated at historical cost, estimated historical cost, or fair market value at the time of donation. Historical cost has been estimated for approximately eighty-five percent (85%) of the land cost and fifty-six percent (56%) of the proprietary fund's buildings cost as of June 30, 1998. The estimate of historical cost was based on appraised value as of

June 30, 1986, indexed to the date of acquisition. Land and buildings acquired after June 30, 1986, have been valued at historical cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for buildings, 3 to 25 years for machinery and equipment, and 10 to 60 years for improvements other than buildings. It is the Commonwealth's policy to capitalize interest expense incurred on significant assets in proprietary funds during their construction in accordance with FASB Statement No. 62.

The discretely presented component unit financial statements of The Kentucky Center for the Arts, Fiscal Year 1998, do not contain the Center's fixed assets. The Finance and Administration Cabinet, Division of Accounts, Financial Reporting Branch, has adjusted the discretely presented component units column on the appropriate combined statements included in the Commonwealth of Kentucky Comprehensive Annual Financial Report for the Year Ended June 30, 1998, to add dollar amounts for fixed assets, depreciation, and contributed capital associated with the Center in order to satisfy GAAP requirements regarding the State financial reporting entity.

Fund Balance Reserved for Other Specific Purposes
(Expressed in Thousands)

| | Primary Government | | | Component Units |
|--|--------------------|------------------|------------------|-------------------|
| | General | Special Revenue | Debt Service | Universities |
| Loans | \$ | \$ 8,983 | \$ | \$ |
| Inventories | 11,681 | 31,210 | | |
| Restricted gifts, grants and contracts | | | | 700,300 |
| Deposit with fiscal agents | | 7,080 | 21,594 | |
| Compensating balance with depositories | | 998 | | |
| Budget Stabilization | 200,000 | | | |
| TOTALS | \$ 211,681 | \$ 48,271 | \$ 21,594 | \$ 700,300 |

L. Fund Equity Reserves and Designations - The Commonwealth's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure, or (2) legally segregated for a specific future use. Designated portions of fund balance represent tentative managerial plans for financial resource utilization in a future period.

M. Long-Term Obligations - Long-term liabilities that will be financed from governmental funds and expendable trust funds are accounted for in the General Long-Term Obligations Account Group. These long-term liabilities include the following:

1. Payments of principal and interest for general obligation debt and revenue bonds which are recorded as expenditures in the Debt Service Fund.
2. Compensated absences reported in the General Long-Term Obligations Account Group include accumulated unpaid vacation

and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material.

The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. At June 30, 1998, the estimated liability for accrued annual leave for the governmental and Primary Government proprietary funds was \$144,230,841 and \$9,633,973 respectively. Compensatory leave is granted to authorized employees on an hour-for-hour basis. At June 30, 1998, the estimated liability for compensatory leave in the governmental and Primary Government proprietary funds was \$46,972,963 and \$2,677,027, respectively.

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Sick leave for the Primary Government is earned one day per month with unlimited accumulation. All of the qualifying retiring employees' sick leave balances, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement. There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 17 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds and expendable trust funds are reported in the General Long-Term Obligations Account Group.

(Expressed in Thousands)

Primary Government - Enterprise Fund

| | | |
|---|----------------|-------------------|
| Contributed capital as of June 30, 1997 | \$ 115,529 | |
| Additions: Fiscal Year 1998 | <u>30,950</u> | |
| | | \$ 146,479 |
| Amortization through June 30, 1997 | \$ (22,725) | |
| Additions: Fiscal Year 1998 | <u>(1,912)</u> | |
| | | <u>(24,637)</u> |
| Net contributed capital as of June 30, 1998 | | <u>\$ 121,842</u> |

Primary Government - Internal Service Fund

| | | |
|---|----------------|------------------|
| Contributed capital as of June 30, 1997 | \$ 16,493 | |
| Additions: Fiscal Year 1998 | 39 | |
| Retirements: Fiscal Year 1998 | <u>(5,430)</u> | |
| | | \$ 11,102 |
| Amortization through June 30, 1997 | 1,399 | |
| Additions: Fiscal Year 1998 | (5,793) | |
| Retirements: Fiscal Year 1998 | <u>5,089</u> | |
| | | <u>695</u> |
| Net contributed capital as of June 30, 1998 | | <u>\$ 11,797</u> |

Component Units - Proprietary Funds

| | | |
|---|----------------|-------------------|
| Contributed capital as of June 30, 1997 | \$ 162,975 | |
| Additions: Fiscal Year 1998 | <u>17,088</u> | |
| | | \$ 180,063 |
| Amortization through June 30, 1997 | (70,045) | |
| Additions: Fiscal Year 1998 | <u>(5,435)</u> | |
| | | <u>(75,480)</u> |
| Net contributed capital as of June 30, 1998 | | <u>\$ 104,583</u> |

4. Judgements and contingent liabilities of governmental funds which will not be paid with current resources are reported in the General Long-Term Obligations Account Group.

5. Long-term liabilities of all proprietary and pension trust funds are accounted for in the respective funds.

Long-term obligations exclude those amounts reported as expenditures for compensated absences, judgements, contingencies, and employer pension contributions in the governmental funds which are the amounts that would normally be liquidated with expendable available financial resources.

N. Contributed Capital - The Proprietary Funds receive general fund appropriations and proceeds of revenue bonds for the acquisition of specific fixed assets. The debt service for these bonds is paid by the Commonwealth's General Fund and the liability is reported in the General Long-Term Obligations Account Group. The assets acquired with the proceeds of the revenue bonds are accounted for in the proprietary funds with an offsetting entry to contributed capital.

O. Totals - Memorandum Only - Total columns (memorandum only) have been added to certain statements to reflect totals for both the primary government and the reporting entity. These columns are presented for overview informational purposes and do not represent consolidated financial information.

Note 2

CHANGES IN ACCOUNTING PRINCIPLES, REPORTING PRACTICES, AND PRIOR PERIOD ADJUSTMENTS

The fund balances/retained earnings as previously reported have been restated to conform to generally accepted accounting principles and to correct balances for erroneously recorded transactions.

General Fund - The General Fund was restated to implement GASB Statement 31. The net effect of this adjustment was a decrease in fund balance of \$23,206,000.

Special Revenue Fund - The Transportation Fund, the Agency Revenue Fund, and the Other Special Revenue Fund, within the Special Revenue Fund, were restated to implement GASB Statement 31. The effect of these adjustments was a decrease in fund balances of \$99,580,000, \$10,743,000, and an increase in fund balance of \$534,000, respectively. The Federal Fund, within the Special Revenue Fund, was adjusted for an amount previously reported in error. The effect of this adjustment was an increase in fund balance of \$11,891,000. The net effect of these adjustments, for the Special Revenue Fund, was a decrease in fund balance of \$97,898,000.

Debt Service Fund - The Debt Service Fund was restated to implement GASB Statement 31. The net effect of this adjustment was an increase in fund balance of \$8,116,000.

Capital Projects Fund - The Capital Projects Fund was restated to implement GASB Statement 31. The effect of this adjustment was an increase in fund balance of \$122,420,000. The fund was also restated for an amount previously reported in error. The effect of this

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adjustment was an increase in fund balance of \$53,000. The net effect of these adjustments was an increase in fund balance of \$122,473,000.

Enterprise Funds - The retained earnings for the State Parks Fund, Kentucky Lottery Corporation, and Industries for the Blind, and the Insurance Administration Fund were restated to implement GASB Statement 31. The effect of these adjustments was an increase in fund balance of \$14,000, \$13,720,000, \$2,000 and \$19,513, respectively. The Insurance Administration Fund was also increased by \$1,000, for an amount previously omitted. The net effect of these adjustments was an increase to retained earnings of \$33,250,000.

Internal Service Funds - The implementation of GASB Statement 31 increased retained earnings in the Fleet Management Fund and the Risk Management Fund by \$11,000 and \$27,000, respectively. The implementation decreased retained earnings in the Computer Services Prison Industries, Central Printing and Property Management Funds by \$91,000, \$53,000, \$12,000 and \$47,000, respectively. Also, the retained earnings for the Fleet Management, Computer Services, and Risk Management Funds were decreased by \$156,000, \$160,000, and \$252,000 respectively for amounts previously reported in error. The net effect of these adjustments was a decrease of \$733,000 in retained earnings in the Internal Service Funds.

Trust and Agency Funds - The Other Special Benefits Fund was restated to implement GASB Statement 31. The effect of this adjustment was an increase in fund balance of \$938,000. The fund was also adjusted to implement GASB Statement 32. This adjustment was an increase in fund balance of \$379,617,000. The fund was also increased by \$496,000 for an amount previously omitted in error. The net effect of these adjustments is an increase in fund balance of \$381,051,000, for the Other Special Benefits Fund. The implementation of GASB 32 reduced the amounts shown in the Trust Funds by \$381,048,000. The beginning balance shown as the amount held for the Health Purchasing Alliance was increased by \$7,083,000 for an amount previously omitted in error. The beginning balance shown as the amount held for Commonwealth Choice was increased by \$320,000 for an amount previously omitted in error.

Component Units:

Proprietary Funds - The implementation of GASB 31 increased beginning retained earnings of the Kentucky State Fair Board, Kentucky Higher Education Assistance Authority, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Grain Insurance Fund, and the Kentucky Local Correctional Facilities Construction Authority by \$19,000, \$2,050,000, \$1,645,000, \$1,508,000, \$19,000, and \$58,000, respectively. The Implementation of GASB 31 reduced beginning retained earnings for the Kentucky Educational Television Authority and Kentucky Student Loan Corporation by \$3,000 and \$46,000, respectively.

The beginning retained earnings for the Kentucky Higher Educational Assistance Authority were also increased by \$1,094,000 for additional Loan Insurance Fund Assets and by \$1,442,000 for a prior period adjustment.

The net effect of these adjustments was an increase in retained earnings for the component unit proprietary funds of \$7,786,000.

Universities - The fund balance for the University of Kentucky was reduced by \$162,943,000 for the Community College System which has previously been reported as a part of the university. These were placed as part of the Kentucky Community Technical College System that reflects a beginning fund balance of \$162,943,000.

The beginning fund balances for Western Kentucky University and Eastern Kentucky University were decreased by \$631,000 and \$159,000, respectively and the beginning fund balance for Eastern Kentucky University Foundation was increased by \$1,576,000 with the implementation of GASB 31. The net effect of these adjustments was an increase in the beginning fund balance for the college and university funds of \$786,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. The Special Revenue Fund - The Agency Revenue Fund budgetary statement has an excess of expenditures over appropriations of \$7,637,000 at June 30, 1998, for Campbell, Daviess, Fayette, Hardin, Jefferson, Kenton, Pike, and Warren counties, and is in accordance with State statutes. State statutes permit that "deficits may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." These amounts are within the statutes and repayment will be made during the term of office of the official. The Federal Fund has a deficit fund balance of \$3,941,000. The deficit is a result of expenditures for which reimbursement has not been received.

B. The Enterprise Fund - The Insurance Administration Fund has a deficit retained earnings of \$1,105,419,000. The deficit is the result of the inclusion of the actuarial liability for the risk pools, which will be funded in future periods.

C. The Internal Service Fund - The Risk Management Fund has a deficit retained earnings of \$57,216,000. The deficit is the result of accumulated claims liabilities of the Commonwealth's self-insured worker's compensation programs, and is to be funded in future periods.

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D. Component Units - Governmental Fund Types - Bluegrass State Skills Corporation has a deficit fund balance of \$166,000. The deficit is the result of expenditure accruals which will be funded in future periods.

Proprietary Fund Types - The Kentucky Educational Television Authority has a deficit retained earnings of \$6,246,000. The Kentucky Local Correctional Facilities Construction Authority has a deficit retained earnings of \$17,842,000, resulting from the recognition of loan commitments before financing was arranged. The Authority will issue bonds to satisfy these commitments in the future.

Note 4

BUDGETARY BASIS VS. GAAP

The accompanying Combined Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)-All Budgeted Fund Types, presents comparisons of the legally adopted budget (see Note 1E) with actual data on budgetary basis. The Other Special Revenue Fund within the Special Revenue Fund type and the Kentucky Lottery Corporation within the Enterprise Fund type are not budgeted and are shown for comparison purposes only.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1998, to the fund balance on a modified accrual basis follows (expressed in thousands):

| Budgetary Funds | General | Special Revenue | Enterprise | Internal Service | Expendable Trust | Component Units |
|--|------------|-----------------|--------------|------------------|------------------|-----------------|
| Financial Statements Funds | General | Special Revenue | Enterprise | Internal Service | Fiduciary | Component Units |
| Fund Balance/Retained Earnings June 30, 1998: | | | | | | |
| Budgetary Basis | \$ 731,323 | \$ 1,405,957 | \$ 335,481 | \$ 75,281 | \$ 615,645 | \$ 119,874 |
| Adjustments: | | | | | | |
| Accrued Revenues | 227,151 | 450,447 | 3,339 | 206 | (2,057) | |
| Accrued Expenditures | (118,169) | (560,659) | (3,891) | (2,481) | (1,564) | |
| Accrued Transfers (Net) | (5,847) | (2,690) | (17) | | | |
| Total Accruals ¹ | 103,135 | (112,902) | (569) | (2,275) | (3,621) | |
| Reclassifications and Other Adjustments: | | | | | | |
| Inventory Balances ¹ | 11,681 | 31,157 | 3,219 | 4,074 | | |
| To Reclassify Financial Resources into Financial Statement Fund Types ² | (15,973) | (550,944) | (496,418) | (10,976) | | |
| To Record Financial Resources available as Non-Budgeted Funds ³ | (15,000) | 422,379 | (708,532) | (76,515) | 23,487,862 | 4,159,713 |
| Fund Equity/Other Credits June 30, 1998: | | | | | | |
| GAAP Basis | \$ 815,166 | \$ 1,195,647 | \$ (866,819) | \$ (10,411) | \$ 24,099,886 | \$ 4,279,587 |

¹ Basis Differences

² Perspective Differences

³ Entity Differences

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Note 5

EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS

The State maintains a cash and investment pool that is available for use by all funds under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. In addition, investments are separately held by several of the State's funds and Component Units. Legally authorized investments vary by fund but generally include: obligations of or guaranteed by the United States; obligations of any corporation of the United States Government; asset backed securities; U.S. dollar denominated corporate securities; collateralized certificates of deposit; bankers' acceptances; commercial paper; and repurchase agreements. In addition to these, pension plans and certain Component Units are

permitted to purchase common stocks, corporate bonds and real property and mineral rights. The State is also eligible to invest in reverse repurchase agreements.

Deposits - At year end, the carrying amount of the State's deposits for the Primary Government was \$1,344,298,859 and \$284,011,672 for the Component Units. At year end, the bank balance was \$1,472,865,611 and \$252,370,146 for the Primary Government and Component Units, respectively. The bank balance of the Primary Government administered by the State Treasurer was covered by Federal depository insurance or by collateral held by the State or the State's agent in the State's name. The following table categorizes the Primary Government's and Component Units' deposits as: (1) insured or collateralized with securities by the entity or by its agent in the entity's name; (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name; or (3) uncollateralized where securities

CASH - PRIMARY GOVERNMENT

| | Categories | | | Total Bank Balance | Carrying Amount |
|--|-----------------------|-------------|----------------------|------------------------|------------------------|
| | 1 | 2 | 3 | | |
| Cash | \$ 691,025,055 | \$ | \$ 41,373,525 | \$ 732,398,580 | \$ 603,831,827 |
| Cash with Fiscal Agents | 72,753,804 | | 2,471,427 | 75,225,231 | 75,225,231 |
| Imprest and Change | 5,329,808 | | | 5,329,808 | 5,329,808 |
| Money Market | | | 44,527,304 | 44,527,304 | 44,527,304 |
| Total | <u>\$ 769,108,667</u> | <u>\$ 0</u> | <u>\$ 88,372,256</u> | 857,480,923 | 728,914,171 |
| Cash on Deposit with Federal Government | | | | 615,384,688 | 615,384,688 |
| | | | | <u>\$1,472,865,611</u> | <u>\$1,344,298,859</u> |

Total

CASH - COMPONENT UNITS

| | Categories | | | Total Bank Balance | Carrying Amount |
|--|-----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 1 | 2 | 3 | | |
| Cash | \$ 257,191,532 | \$ 11,031,450 | \$ 16,474,647 | \$ 188,432,927 | \$ 220,074,453 |
| Money Market | 5,718,748 | 39,967,370 | 18,040,367 | 63,726,485 | 63,726,485 |
| Nonnegotiable Certificates of Deposit | 210,734 | | | 210,734 | 210,734 |
| Totals | <u>\$ 263,121,014</u> | <u>\$ 50,998,820</u> | <u>\$ 34,515,014</u> | <u>\$ 252,370,146</u> | <u>\$ 284,011,672</u> |

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are held by the pledging institution but not in the entity's name. **Investments** - The State holds investments both for its own benefit and as an agent for other related parties. The major investment programs conducted for the direct benefit of the State are administered by the Office of Financial Management and Economic Analysis. The credit risk of those investments held in the State investment pool is all Category (1). The credit risk mix of the retirement systems, component units, and other State agencies is disclosed in the financial statement footnotes of the individual

entities. The following tables categorize the Primary Government's and Component Units' investments as: Category (1) those investments which are insured or registered, or held by the State of Kentucky or its agent in the State's name; Category (2) those investments which are uninsured and unregistered with securities held by the counterparty's trust department or agent in the State's name; and Category (3) those investments which are uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

INVESTMENTS - PRIMARY GOVERNMENT

| | Categories | | | Net Investment | Market Value |
|-------------------------------------|-------------------------|-----------------------|------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | | |
| Government Securities | \$4,106,547,220 | \$ 151,816,063 | \$ 195,139,453 | \$ 4,454,207,950 | \$ 4,453,502,736 |
| Collateralized Mortgage Obligations | 10,245,113 | | | 10,245,113 | 10,245,113 |
| Negotiable Certificate of Deposit | 734,910 | | | 734,910 | 734,910 |
| Corporate Bonds | 3,164,002,452 | 80,513,951 | | 3,243,095,936 | 3,244,516,403 |
| Common Stocks | 13,142,313,898 | 80,959,378 | | 13,126,437,002 | 13,223,273,276 |
| Repurchase Agreements | 1,682,299,514 | | 1,486,699,015 | 3,167,850,514 | 3,168,998,529 |
| State and Municipal Obligations | 77,618,189 | | | 77,618,189 | 77,618,189 |
| Commercial Paper | 70,066,729 | | | 70,066,728 | 70,066,728 |
| Securities Lending Collateral | | | 518,488,858 | 518,488,858 | 518,488,858 |
| Totals | \$22,253,828,024 | \$ 313,289,392 | \$2,200,327,326 | \$ 24,668,745,200 | \$ 24,767,444,742 |
| Mutual Funds | | | | 242,383,978 | 242,383,978 |
| Real Estate | | | | 346,446,507 | 346,446,507 |
| Mortgages | | | | 546,408,876 | 546,408,876 |
| Common Stocks | | | | 5,006,850 | 5,006,850 |
| Annuity Contracts | | | | 176,537,294 | 176,537,294 |
| State Investment Pool | | | | 318,562,888 | 318,562,888 |
| Investments Held by Broker-Dealers | | | | | |
| Under Securities Loaned | | | | 1,985,307,969 | 1,985,307,969 |
| Other | | | | 110,037 | 110,037 |
| Total Investments | | | | \$ 28,289,509,599 | \$ 28,388,209,141 |

INVESTMENTS - COMPONENT UNITS

| | Categories | | | Net Investment | Market Value |
|------------------------------------|-----------------------|-----------------------|----------------------|-------------------------|-------------------------|
| | 1 | 2 | 3 | | |
| Government Securities | \$ 268,307,021 | \$ 262,608,331 | \$ 5,208,728 | \$ 535,858,959 | \$ 536,124,080 |
| Negotiable Certificates of Deposit | 10,158,616 | | | 10,158,616 | 10,158,616 |
| Corporate Bonds | 52,495,535 | 1,298,420 | | 53,780,016 | 53,793,955 |
| Other | 2,940,440 | | 102,000 | 3,042,440 | 3,042,440 |
| Common Stock | 95,889,056 | 4,448,365 | | 100,337,421 | 100,337,421 |
| Repurchase Agreements | 211,065,178 | 4,609,631 | | 215,674,809 | 215,674,809 |
| State and Municipal Obligations | 1,776,895 | 409,433 | | 2,186,328 | 2,186,328 |
| Preferred Stock | 455,500 | | | 455,500 | 455,500 |
| Commercial Paper | 4,989,910 | 35,465,042 | 18,386,056 | 58,841,008 | 58,841,008 |
| Collateralized Mortgage Obligation | 4,625,903 | | | 4,606,388 | 4,625,903 |
| Equity in Cooperatives | 12,893,666 | | | 12,893,666 | 12,893,666 |
| Closed-End Mutual Funds | 456,020 | | | 456,020 | 456,020 |
| Totals | \$ 666,053,740 | \$ 308,839,222 | \$ 23,696,784 | 998,291,171 | 998,589,746 |
| Cash | | | | 800,501 | 800,501 |
| Government Securities | | | | 3,462,564 | 3,462,564 |
| Endowment Funds | | | | 89,536,568 | 89,536,568 |
| Open-End Mutual Funds | | | | 69,302,526 | 69,302,526 |
| Guaranteed Investment Contracts | | | | 60,006,230 | 60,006,230 |
| Real Estate | | | | 299,362 | 299,362 |
| Trust Funds | | | | 11,507,461 | 11,507,461 |
| State Investment Pool | | | | 314,124,862 | 314,240,370 |
| Total Investments | | | | \$ 1,547,331,245 | \$ 1,547,745,328 |

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Statutes require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

Securities Lending Program - State statutes, as interpreted by opinions of the Attorney General, authorize the Commonwealth to enter into bonds borrowed/bonds pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the State is legally authorized to hold. The Commonwealth does not have the ability to pledge or sell collateral securities without a borrower default. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred. The securities transferred are a part of the total investments reported above. The securities being held are not reported as a part of the total investments. The Commonwealth

retains the interest income on the securities being transferred and received a fee of 9.5 basis points from July 1, 1997 to June 30, 1998. During the year, the State earned \$2,322,525.49 in securities lending income. On June 30, 1998, the market value of the securities transferred was \$2,024,772,849.51 and the market value of the securities the Commonwealth was holding was \$2,065,287,427.24. The collateralization requirements and monitoring procedures in the securities lending program are the same as those requirements in regard to repurchase agreements. At year end, the Commonwealth has no credit risk exposure to borrowers because the amounts the Commonwealth owes the borrowers exceed the amounts the borrowers owe the Commonwealth.

Options - The Commonwealth's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The Commonwealth selectively utilizes put and call options on United States Treasury securities. These options are on a covered basis, where the Commonwealth holds either cash or securities sufficient to meet the obligation should the option be exercised. On June 30, 1998, the portfolio included no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par after a specific date.

Note 6

GENERAL FIXED ASSETS

A statement of changes in general fixed assets for the year ended June 30, 1998, is presented below (Expressed in Thousands):

| | Land | Buildings | Machinery and Equipment | Construction in Progress | Totals |
|------------------------------------|-----------|------------|-------------------------|--------------------------|--------------|
| Balance June 30, 1997, as restated | \$ 78,247 | \$ 678,337 | \$ 287,677 | \$ 167,473 | \$ 1,211,734 |
| Additions | 2,946 | 73,739 | 35,580 | 31,314 | 143,579 |
| Deletions | (346) | (940) | (26,862) | (68,500) | (96,648) |
| Balance June 30, 1998 | \$ 80,847 | \$ 751,136 | \$ 296,395 | \$ 130,287 | \$ 1,258,665 |

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Note 7

INTERFUND TRANSACTIONS

The table below shows the interfund receivables and payables and interfund operating transfers for fiscal year 1998 (Expressed in Thousands):

| <u>Interfund Receivables and Payables</u> | | | <u>Transfers In/Out</u> | | |
|---|---------------------------------|------------------------------|----------------------------------|---------------------------------------|--|
| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> | <u>Fund</u> | <u>Operating Transfers In</u> | <u>Operating Transfers Out</u> |
| General | \$ 130,287 | \$ 46,577 | General | \$ 291,239 | \$ 1,193,815 |
| Special Revenue: | | | Special Revenue: | | |
| Transportation | 5,418 | 3,960 | Transportation | 142 | 160,686 |
| Federal | 7,917 | 119,417 | Federal | 2,724 | 20,794 |
| Agency Revenue | 72,488 | 52,133 | Agency Revenue | 278,888 | 214,693 |
| Other Special Revenue | 6,482 | 10,179 | Other Special Revenue | 350,221 | 402,372 |
| Debt Service | 840 | 12,032 | Debt Service | 361,735 | 9,782 |
| Capital Projects | 4,895 | 853 | Capital Projects | 1,860 | 52,668 |
| Enterprise: | | | Enterprise: | | |
| State Parks | 131 | 370 | State Parks | 31,889 | 1,285 |
| Industries for the Blind | 23 | 3 | Kentucky Lottery Corporation | | 153,000 |
| Horse Park | 5 | 33 | Industries for the Blind | 900 | |
| Insurance Administration | 4 | 2,066 | Horse Park | 2,331 | |
| Internal Service: | | | Insurance Administration | 19,111 | 9,241 |
| Fleet Management | 357 | 214 | Internal Service: | | |
| Computer Services | 4,838 | 908 | Computer Services | | 435 |
| Prison Industries | 2,058 | 56 | Prison Industries | 6 | |
| Central Printing | 352 | 4 | Central Printing | 84 | 83 |
| Property Management | 175 | 175 | Property Management | 2,738 | 490 |
| Risk Management | 13 | 2,433 | Risk Management | | 2,548 |
| Fiduciary Funds: | | | Fiduciary Funds: | | |
| Unemployment Compensation | 5 | 2 | Unemployment Compensation | | 1,734 |
| Special Benefits | 16,618 | 1,197 | Special Benefits | 84,361 | 13,722 |
| Special Deposit Trust | | 33 | Component Units: | | |
| Component Units: | | | Governmental | 3,841 | |
| Proprietary | | 143 | Proprietary | 61,309 | 3,710 |
| Universities and Colleges | 149,226 | 149,344 | Universities and Colleges | 782,065 | 34,386 |
| Totals per financial statements: | \$ 402,132 | \$ 402,132 | Totals per financial statements: | \$ 2,275,444 | \$ 2,275,444 |

Note 8

PENSION PLANS

Under the provisions of Kentucky Revised Statutes (KRS) 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employes Retirement System (KERS), County Employes Retirement System (CERS), and State Police Retirement System (SPRS).

The State contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The System's administrative budget and employer contribution rates are subject to the approval of the Kentucky General Assembly. Employee contribution rates are set by the statute and may be changed only by the Kentucky General Assembly.

The State is the predominant employer for KERS and for note disclosure purposes will be considered as a single employer plan.

CERS, a multiple employer cost sharing defined benefit pension plan, provides for retirement, disability, and death benefits to plan members.

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

The allocation of insurance premiums paid by the Fund and amounts withheld from members' benefits is based on years of service with the Systems, as follows:

| <u>Years of Service</u> | <u>Percent Paid by Insurance Fund</u> | <u>Percent Paid by Member Through Payroll Deduction</u> |
|-------------------------|---------------------------------------|---|
| 20 or More | 100% | 0% |
| 15-19 | 75% | 25% |
| 10-14 | 50% | 50% |
| 4 - 9 | 25% | 75% |
| Less Than 4 | 0% | 100% |

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

The Judicial Retirement Plan is a single employer defined benefit plan which provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The Legislators' Retirement Plan is a single employer defined benefit plan which provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension

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benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.925% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-5310.

The Kentucky Teachers' Retirement System (KTRS) was established by the 1938 General Assembly and is governed by Chapter 161 Section

220 through Section 990 of the Kentucky Revised Statutes. KTRS is a multiple-employer cost sharing defined benefit plan established to provide pension plan coverage for local school districts and other educational agencies in the state.

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Plan investments are reported at fair value. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and security pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers.

Cost-of-living adjustments (COLA) are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

| | Kentucky Legislators' Retirement Plan | Kentucky Judicial Retirement Plan | State Police Retirement System | Kentucky Employes Retirement System | Kentucky Teachers' Retirement System |
|--|---|--|--------------------------------------|--|---|
| Contribution rates: | | | | | |
| State | 47.70% | 32.40% | 26.58% | 8.89%-17.87% | 13.105%-13.48% |
| Plan Members | 5.00% | 3-5.00% | 7.00% | 5%-7% | 6.16%-9.855% |
| Portion of State Contribution for Health Insurance | | | 17.90% | 4.26%-9.61% | 0.75% |
| Annual pension costs (in thousands) | \$1,629 | \$5,043 | \$10,569 | \$170,273 | \$329,500 |
| Contributions made (in thousands) | \$1,629 | \$5,375 | \$9,574 | \$128,221 | \$329,500 |
| Actuarial valuation date | June 30, 1998 | June 30, 1998 | June 30, 1998 | June 30, 1998 | June 30, 1998 |
| Actuarial cost method | Projected unit credit | Projected unit credit | Entry age normal | Entry age normal | Projected unit credit |
| Amortization method | Interest + 1% Unfunded past liability | Interest + 1% Unfunded past liability | Level percent closed | Level percent closed | Level percent closed |
| Remaining amortization period | 25 years | 25 years | 30 years | 30 years | 20 years |
| Asset valuation method | Cost | Cost | Five yr. average of market to book | Five yr. average of market to book | Five yr. average of market to book |
| Actuarial assumptions: | | | | | |
| Investment rate of return | 7.00% | 7.00% | 8.25% | 8.25% | 8.00% |
| Inflation Rate | | | 3.50% | 3.50% | 4.50% |
| Projected salary increases | 5.50% | 5.50% | 6.50% | 6.50% | 4.50%-8.60 |
| Increase in Health Insurance Cost | 6%-10% | 6%-10% | 7.5%-10% | 7.5%-10% | 1.50% |
| (Dollar amounts in thousands) | | | | | |
| Annual Required Contributions (ARC) | \$ 1,629 | \$ 5,087 | \$ 10,293 | \$ 168,494 | \$ 329,500 |
| Int. on Net Pension Obligation(NPO) | 0 | 308 | 702 | 4,529 | 0 |
| Adjustment to ARC | 0 | (352) | (427) | (2,750) | 0 |
| Annual pension cost | 1,629 | 5043 | 10,569 | 170,273 | 329,500 |
| Contributions made | 1,629 | 5,375 | 9,574 | 128,221 | 329,500 |
| Increase (Decrease) in NPO | 0 | (332) | 995 | 42,052 | 0 |
| NPO beginning of year | 0 | 4,401 | 8,515 | 54,898 | 0 |
| NPO end of year | \$ 0 | \$ 4,069 | \$ 9,510 | \$ 96,950 | \$ 0 |

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Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| <u>Kentucky Employees Retirement System</u> | | | | | | |
| <u>Non-Hazardous</u> | | | | | | |
| June 30, 1996 | \$ 3,237,983,129 | \$ 3,295,362,361 | \$ 57,379,232 | 0.983 | \$ 1,232,974,460 | 0.047 |
| June 30, 1997 | 3,683,995,005 | 3,463,047,650 | (220,947,355) | 1.064 | 1,234,798,738 | (0.179) |
| June 30, 1998 | 4,356,072,625 | 3,800,014,746 | (556,057,879) | 1.146 | 1,321,004,266 | (0.421) |
| <u>Hazardous</u> | | | | | | |
| June 30, 1996 | \$ 137,312,448 | \$ 120,042,122 | \$ (17,270,326) | 1.144 | \$ 85,933,543 | (0.201) |
| June 30, 1997 | 166,717,238 | 140,918,460 | (25,798,778) | 1.183 | 87,757,075 | (0.294) |
| June 30, 1998 | 212,214,618 | 171,735,076 | (40,479,542) | 1.236 | 93,130,996 | (0.435) |
| <u>State Police Retirement System</u> | | | | | | |
| June 30, 1996 | \$ 237,515,346 | \$ 244,540,812 | \$ 7,025,466 | 0.971 | \$ 34,698,957 | 0.202 |
| June 30, 1997 | 279,643,275 | 255,784,758 | (23,858,517) | 1.093 | 41,586,211 | (0.574) |
| June 30, 1998 | 306,318,918 | 294,427,019 | (11,891,899) | 1.040 | 38,727,361 | (0.307) |
| <u>Judicial Retirement Plan</u> | | | | | | |
| June 30, 1996 | \$ 133,973,167 | \$ 133,259,942 | \$ (713,225) | 1.005 | \$ 18,963,743 | (0.038) |
| June 30, 1997 | 156,157,021 | 144,748,660 | (11,408,361) | 1.079 | 18,445,619 | (0.618) |
| June 30, 1998 | 185,267,039 | 153,968,225 | (31,298,814) | 1.203 | 19,289,394 | (1.623) |
| <u>Legislators' Retirement Plan</u> | | | | | | |
| June 30, 1996 | \$ 34,942,019 | \$ 36,958,664 | \$ 2,016,645 | 0.945 | \$ 3,410,000 | 0.591 |
| June 30, 1997 | 40,098,285 | 39,487,831 | (610,454) | 1.015 | 3,245,000 | (0.188) |
| June 30, 1998 | 47,166,187 | 40,796,052 | (6,370,135) | 1.156 | 3,080,000 | (2.068) |
| <u>Kentucky Teachers' Retirement System</u> | | | | | | |
| June 30, 1996 | \$ 7,624,700,000 | \$ 9,178,600,000 | \$ 1,553,900,000 | 0.831 | \$ 1,877,900,000 | 0.827 |
| June 30, 1997 | 8,789,900,000 | 9,906,200,000 | 1,116,300,000 | 0.887 | 1,925,000,000 | 0.580 |
| June 30, 1998 | 10,370,600,000 | 11,516,600,000 | 1,146,000,000 | 0.900 | 1,973,700,000 | 0.581 |

Membership of the retirement systems, at June 30, 1998, is shown in the following table:

| | Kentucky Employees Retirement System | | County Employees Retirement System | | State Police Retirement System | Judicial Retirement Plan |
|---|--------------------------------------|-----------|------------------------------------|-----------|--------------------------------|--------------------------|
| | Non-Hazardous | Hazardous | Non-Hazardous | Hazardous | | |
| Retirees and beneficiaries receiving benefits | 20,955 | 671 | 18,976 | 2,392 | 739 | 195 |
| Terminated plan members - vested | 2,735 | 96 | 2,839 | 117 | 11 | 20 |
| Terminated plan members - non-vested | 10,294 | 443 | 17,243 | 280 | 69 | |
| Active plan members | 46,342 | 3,582 | 71,426 | 6,800 | 954 | 233 |
| Total members | 80,326 | 4,792 | 110,484 | 9,589 | 1,773 | 448 |
| Number of participating employers | 374 | | 1,466 | | 1 | 1 |

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Three year trend for contributions
(Amounts expressed in thousands)

| <u>Kentucky Employees Retirement System</u> | | | |
|--|----|---------|--------|
| <u>Non-Hazardous</u> | | | |
| 1996 | \$ | 107,885 | 92.0% |
| 1997 | | 109,774 | 93.5% |
| 1998 | | 177,437 | 95.4% |
| <u>Hazardous</u> | | | |
| 1996 | \$ | 15,511 | 93.0% |
| 1997 | | 15,682 | 96.6% |
| 1998 | | 16,643 | 96.1% |
| <u>State Police Retirement System</u> | | | |
| 1996 | \$ | 7,998 | 88.6% |
| 1997 | | 11,054 | 87.1% |
| 1998 | | 10,294 | 93.0% |
| <u>Judicial Retirement Plan</u> | | | |
| 1996 | \$ | 3,240 | 129.7% |
| 1997 | | 5,087 | 105.9% |
| 1998 | | 5,087 | 105.6% |
| <u>Legislators' Retirement Plan</u> | | | |
| 1996 | \$ | 1,254 | 118.8% |
| 1997 | | 1,629 | 100.1% |
| 1998 | | 1,629 | 100.0% |
| <u>Teachers' Retirement System</u> | | | |
| 1996 | \$ | 307,100 | 100.0% |
| 1997 | | 328,600 | 100.0% |
| 1998 | | 329,500 | 100.0% |

Note 9

EMPLOYEE BENEFIT PLANS

A. Self-Insured Health Care

The Commonwealth of Kentucky offers, as one of ten health insurance options to employees of the State, local boards of education, local health departments and retirees under the age of 65, a self-insured health care plan. Under health care reform, individuals, municipal governments, and qualified small businesses are also eligible to purchase health insurance from the State's

self-insured plan. The plan is known as Kentucky Kare and is administered by third parties who are responsible for the processing of claims, cost containment, and utilization review. Presently, 33,381 persons have selected Kentucky Kare as their health care provider for the plan period January 1, 1997 through December 31, 1998. There are 20,828 single coverage plans; 6,877 family coverage plans; 3,160 enrollee plus dependent children coverage plans; and 2,662 enrollee plus one spouse or child coverage plans.

B. Deferred Compensation

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Personnel Cabinet and an independent plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the insurance companies holding fixed and variable annuity contracts (carriers). Both plans permit employees to defer collecting a portion of their salary until future years. This deferment is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the 457 Plan are reported in an Expendable Trust Fund within the fiduciary fund type, in compliance with Internal Revenue Code and GASB 32 requirements.

Of the \$420,304,000 in the 457 Plan at June 30, 1998, \$273,979,000 was applicable to the Commonwealth, while the remaining \$146,325,000 represents assets of the other jurisdictions participating in the Plan.

Note 10

LEASE OBLIGATIONS

The Commonwealth has entered into various leases for land, buildings, and equipment. Generally, leases contain termination clauses providing for cancellation after 30, 60, or 90 days written notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

Changes in leases payable accounted for in the General Long-Term Obligation account group for the year ended June 30, 1998, are summarized in Note 15.

A portion of the capital lease liability for the University and College Fund is applicable to leases with the Commonwealth.

| Legislators' Retirement Plan | Kentucky Teachers' Retirement System | Totals |
|------------------------------------|---|----------------|
| ----- | ----- | ----- |
| 103 | 27,743 | 71,774 |
| 48 | 4,670 | 10,536 |
| | | 28,329 |
| <u>126</u> | <u>52,195</u> | <u>181,658</u> |
| <u>277</u> | <u>84,608</u> | <u>292,297</u> |
| 1 | 201 | 2,044 |

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At June 30, 1998, capitalized leases included buildings and equipment as follows (Expressed in Thousands):

Equipment acquired through capital leases is recorded at the lesser of fair market value or present value of future minimum lease payments.

| | Primary Government | | |
|--------------------------------|------------------------|----------------------|-----------------|
| | Proprietary Fund Types | General Fixed Assets | Component Units |
| Buildings | \$ | \$ | \$ 7,871 |
| Equipment | 10,059 | 2,033 | 14,183 |
| Total | 10,059 | 2,033 | 22,054 |
| Less: Accumulated Amortization | 4,309 | | 18,412 |
| Total, Net of Amortization | \$ 5,750 | \$ 2,033 | \$ 3,642 |

Future minimum rental commitments for capitalizable leases as of June 30, 1998, are as follows (Expressed in Thousands):

| | Primary Government | | | Component Units | | |
|---|-------------------------------------|------------------|------------------------|------------------------------|------------------------|-----------|
| | Long-term Obligations Account Group | Enterprise Funds | Internal Service Funds | University and College Funds | Proprietary Fund Types | Total |
| 1999 | \$ 584 | \$ 96 | \$ 2,393 | \$ 9,192 | \$ 2,471 | \$ 14,736 |
| 2000 | 349 | 4 | 2,167 | 6,887 | 2,514 | 11,921 |
| 2001 | 131 | 1 | 1,537 | 6,203 | 2,509 | 10,381 |
| 2002 | 73 | | | 4,951 | 2,476 | 7,500 |
| 2003 | 39 | | | 4,595 | 2,487 | 7,121 |
| Thereafter | | | | 40,711 | 12,821 | 53,532 |
| Totals | 1,176 | 101 | 6,097 | 72,539 | 25,278 | 105,191 |
| Less: Amounts representing Interest (2.2% to 16.6%) | 119 | 4 | 410 | 15,566 | 6,180 | 22,279 |
| Present value of future minimum lease payments | \$ 1,057 | \$ 97 | \$ 5,687 | \$ 56,973 | \$ 19,098 | \$ 82,912 |

Note 11

RISK MANAGEMENT

The Commonwealth is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commonwealth utilizes the Risk Management Fund to account for these activities.

Fire and Tornado Insurance:

The Fire and Tornado Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$300,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability of \$1,237,803 reported in the Program at June

30, 1998, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1998 and 1997 were:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|------------------------------------|------------------|------------------|
| Beginning of Fiscal Year Liability | \$ 2,387,913 | \$ 1,975,372 |
| Incurred Claims | 1,393,587 | 1,114,542 |
| Changes in Estimates | | |
| Claim Payments | (2,543,697) | (702,001) |
| Balance at Fiscal Year End | \$ 1,237,803 | \$ 2,387,913 |

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Self Insured Workers' Compensation:

The Workers' Compensation Program is self-insurance for the benefit of the Commonwealth's employees, and others as described in KRS 18A.370. Losses payable by the Program include medical claims and loss of wages as a result of an employment related injury. Premiums are established based upon estimated claims and administrative cost for the coming fiscal year. The Program carries reinsurance coverage for large individual or incident claims between \$5,000,000 and \$20,000,000.

The actuarial determined aggregate claims liability of \$55,269,655 reported in the Program at June 30, 1998, includes both reported and unreported insured events, including estimates of future payments of losses and related claims' adjustments. Changes in the Program's claims liability amount in fiscal 1998 and 1997 were:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|----------------------|----------------------|
| Beginning of Fiscal Year Liability | \$ 51,627,935 | \$ 45,761,694 |
| Claims and Claims Adjustments Incurred | | |
| Current Year | 13,242,891 | 14,981,697 |
| Prior Year | 2,531,693 | 1,775,443 |
| Total Claims and Claims Adjustments Incurred | 15,774,584 | 16,757,140 |
| Claims and Claims Adjustment Payments | | |
| Current Year | 2,818,916 | 2,614,507 |
| Prior Year | 9,313,948 | 8,276,392 |
| Total Claims and Claims Adjustment Payments | 12,132,864 | 10,890,899 |
| Balance at Fiscal Year End | <u>\$ 55,269,655</u> | <u>\$ 51,627,935</u> |

Transportation Cabinet Workers' Compensation:

The Transportation Cabinet's Self-Insured Worker's Compensation Trust Program (the "Program") was organized on July 1, 1963, as a self-insurance fund administered by the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet"). The purpose of the Program is to provide workers' compensation insurance to the employees of the Cabinet. The losses incurred by the Program are serviced by a designated third-party administrator who processes and reports all claims to the Program. The aggregate claims liability is based on an actuarial study, dated June 30, 1998.

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|----------------------|----------------------|
| Beginning of Fiscal Year Liability | \$ 21,476,178 | \$ 21,532,291 |
| Claims and Claims Adjustments Incurred | 1,820,499 | 3,807,939 |
| Changes in Estimates | | |
| Claims and Claims Adjustment Payments | (3,201,752) | (3,864,052) |
| Balance at Fiscal Year End | <u>\$ 20,094,925</u> | <u>\$ 21,476,178</u> |

Note 12

RISK POOLS

The Commonwealth's risk pools, which are reported as enterprise funds, are the Insurance Administration Fund and the Grain Insurance Fund. The Insurance Administration Fund includes the operations of six risk pools, as follows: Kentucky Kare, Workers' Compensation Insurance, Coal Workers Pneumoconiosis, Petroleum Storage Tank Assurance, Bond Pool, and Mine Subsidence Insurance. The Insurance Administration Fund is reported as part of the primary government. The Grain Insurance Fund is a risk pool reported as a discrete component unit.

Risk Pools - Enterprise Funds

Kentucky Kare:

Kentucky Kare is a self insured health care plan offered to employees of the State, local boards of education, local health departments, retirees under the age of 65 of the Kentucky Retirement Systems, and private individuals and businesses. This plan is administered by third parties who are responsible for the processing of claims, cost containment, and utilization review.

As of June 30, 1998, the number of employees, retirees, and former employees electing COBRA extension of benefits were as follows: State employees, retirees, and former employees of 13,542; local board of education employees of 12,346; local health department employees of 460; and other participants of 7,033.

Monthly premiums are established by the Commonwealth. They vary by the benefit coverage and the dependent status (single, family, or single parent). The plan offers five levels of coverage: Kentucky Kare Budget High, Kentucky Kare Economy Low, Kentucky Kare Enhanced High, Kentucky Kare Standard High, and Kentucky Kare Standard Low. Preventive dental care is an optional rider to the plans.

Estimates of the liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined using the

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development method. This method uses past observed patterns of the time between claim incurred and payment to estimate incurred claims from available paid claims information. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Claim adjustment expense is included in the administrative fee paid to the third party administrator.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related claims' adjustments. The following represents changes in this liability for the Plan during the past two years:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|------------------------------------|---------------------|---------------------|
| Beginning Unpaid Claims Liability | \$ 21,767,633 | \$ 19,286,706 |
| Claims Incurred: | | |
| Current Year | 147,521,996 | 131,132,064 |
| Increase (Decrease) In Prior Years | 3,074,250 | (4,425,595) |
| Total Incurred Claims | 150,596,246 | 131,496,349 |
| Claims Paid: | | |
| Current Year | 127,323,914 | 114,231,764 |
| Prior Years | 21,827,031 | 14,783,658 |
| Total Payments | 149,150,945 | 129,015,422 |
| Ending Unpaid Claims | \$ 23,212,934 | \$ 21,767,633 |

Workers' Compensation Insurance:

The Kentucky Workers' Compensation Insurance Program, a risk sharing pool, covers pre-existing conditions to protect employers from having to pay for injuries not sustained in their employ, or more than once for disabilities resulting from the same accident. This program encourages re-employment of injured workers at adequate wages by relieving the employer of the requirement of paying disability compensation in addition to full wages. The program also covers claims against uninsured employers.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$1,069,267,162, as reported in the financial statements, is the present value of the aggregate actuarial determined claims liability of \$2,305,946,500, discounted at 7.0%, and the net of the estimated realizable value of reimbursements. The estimated realizable value of these reimbursements at June 30, 1998, is \$10,850,000. The claims adjusted liability of \$58,269,529, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$115,775,034, discounted at 7.0%.

The actuarial determined liabilities described above arise from projections included in an actuarial report dated December 8, 1997, and include claims projected through September 1, 1997. Changes in the program's aggregate liabilities for claims and claims adjustment for the past two years are:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|---------------------|---------------------|
| Beginning of Fiscal Year Liability | \$ 2,543,800,912 | \$ 2,734,329,063 |
| Claims and Claims Adjustments Incurred | 1,754,681 | 2,064,580 |
| Changes in Estimates | | (61,280,659) |
| Claims and Claims Adjustment Payments | (123,834,059) | (131,312,072) |
| Balance at Fiscal Year End | \$ 2,421,721,534 | \$ 2,543,800,912 |

Coal Workers Pneumoconiosis Fund:

The Coal Workers' Pneumoconiosis Fund (CWPF) was created within the Labor Cabinet through the enactment of House Bill No. 1 by the December 1996 Special Session of the General Assembly. The CWPF is liable for one-half of the income benefits and retraining incentive benefits for occupational pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal. The employer is liable for the remaining one-half.

In accordance with House Bill No. 1 from the December 1996 Special Session, the Kentucky Workers' Compensation Funding Commission shall impose a pneumoconiosis assessment to prefund the liabilities of the CWPF and to finance its administration. The assessment is three percent (3%) of workers' compensation premiums received on or after January 1, 1997, from employers engaged in the severance or processing of coal and an additional assessment of \$0.025 per ton imposed upon coal severed on or after January 1, 1997. All pneumoconiosis assessments collected by the Funding Commission are to be credited to a separate account within the Benefit Reserve Fund and to be transferred as necessary to pay administrative expenses and current claims of the CWPF.

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$5,978,589, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$7,408,464, discounted at 7.0%. The claims adjustment liability of \$795,000, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$984,000, discounted at 7.0%.

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The actuarial determined liabilities described above are based on an actuarial valuation as of September 1, 1997. Changes in the aggregate liability for claims and claims adjustments for the past two years are as follows:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|---------------------|---------------------|
| Beginning of Fiscal Year Liability | \$ 2,797,488 | \$ 0 |
| Claims and Claims Adjustments Incurred | 5,594,976 | 2,797,488 |
| Changes in Estimates | | |
| Claims and Claims Adjustment Payments | | |
| Balance at Fiscal Year End | <u>\$ 8,392,464</u> | <u>\$ 2,797,488</u> |

As stated above, the Coal Workers' Pneumoconiosis Fund was created by the December 1996 Special Session of the General Assembly. Therefore, there are no provisions for claims prior to 1997.

Petroleum Storage Tank Environmental Assurance Program:

The Office of the Petroleum Storage Tank Environmental Assurance Program, a risk sharing pool, was created in the 1990 regular session of the Kentucky General Assembly. The purpose of the Program is to assist petroleum storage tank owners or operators in complying with federal financial responsibility requirements relating to petroleum storage tanks and in cleaning up contamination caused by leaking tanks. The Program is funded by a fee paid by dealers on each gallon of gasoline and special fuels received in the State at a rate of one and four-tenths (\$0.014) cents per gallon.

The Program insures petroleum storage tank owners or operators for cost incurred for cleanup and other corrective action required in cleaning up contamination caused by leaking petroleum storage tanks. The Program also provides coverage for third party claims against the owners or operators for damages sustained as a result of leaking storage tanks. Claims paid by the Program are subject to deductibles which are applied separately, by occurrence, for cleanup claims and third party damage claims. The deductible is set at \$1,000 per occurrence for owners or operators of five or less tanks, and at \$5,000 for owners or operators of six to ten tanks, and at \$25,000 for owners of more than ten tanks.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$506,641,538 reported in the financial statements, is the aggregate actuarial determined claims liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years are:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|-----------------------|-----------------------|
| Beginning of Fiscal Year Liability | \$ 469,511,513 | \$ 324,412,848 |
| Claims and Claims Adjustments Incurred | 71,789,045 | 185,343,420 |
| Changes in Estimates | (159,303) | (17,000,000) |
| Claims and Claims Adjustment Payments | <u>(27,297,421)</u> | <u>(23,244,755)</u> |
| Balance at Fiscal Year End | <u>\$ 513,843,834</u> | <u>\$ 469,511,513</u> |

Bond Pool:

The Bond Pool was established in 1986 to provide an alternative bonding program for small to medium sized coal companies in Kentucky. Membership in the Pool is voluntary and prospective members must apply to become members. Applicants must meet standards set by the Bond Pool Commission to be accepted as members of the Bond Pool. These standards, used to evaluate potential Bond Pool members, considers factors such as mining experience, reclamation history, and financial condition of the applicant.

Accepted members are rated by the Commission based on the standards considered in the application process. The members are rated and assessed an initial membership fee based on this rating. This fee ranges from \$1,000 to \$2,500. Additionally members pay tonnage fees of \$.05 per ton of surface mined coal and \$.01 per ton for underground mined coal. Provisions are also in effect where the tonnage fee is suspended for members who have participated in the Program for 36 months, when the Program balance exceeds \$7 million.

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Bond Pool in turn provides coverage for reclamation cost that exceed the permit specific bond but limits claims to the total amount of bond required by the permit. The Bond Pool does not pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$2,625,568 as reported in the financial statements, is the aggregate actuarial determined claims liability. The claims adjustment liability of \$833,926 is the actuarial determined aggregate liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years are:

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| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|---------------------|---------------------|
| Beginning of Fiscal Year Liability | \$ 3,439,494 | \$ 3,439,494 |
| Claims and Claims Adjustments Incurred | 20,000 | |
| Changes in Estimates | | |
| Claims and Claims Adjustment Payments | | |
| Balance at Fiscal Year End | <u>\$ 3,459,494</u> | <u>\$ 3,439,494</u> |

Mine Subsidence Insurance:

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the State, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program and the insurer is required to cede this coverage to the Program. The insurer may refuse to provide coverage where pre-existing damage is determined to exist. The Program provides coverage subject to a deductible of 2% of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

The claims liability of \$365,500 reported in the Program at June 30, 1998, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1998 and 1997 were:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|---------------------|---------------------|
| Beginning of Fiscal Year Liability | \$ 219,000 | \$ 25,000 |
| Claims and Claims Adjustments Incurred | 163,847 | 221,545 |
| Changes in Estimates | | |
| Claim and Claims Adjustment Payments | (17,347) | (27,545) |
| Balance at Fiscal Year End | <u>\$ 365,500</u> | <u>\$ 219,000</u> |

Risk Pools - Component Units

Grain Insurance:

The Grain Insurance Program is established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain dealer or

grain warehousemen. The Program is funded by a half cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

The claims liability of \$0 reported in the Program at June 30, 1998, is based on the requirements of GASB 10, which states that a liability for claims be reported, if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1998 and 1997 were:

| | Fiscal Year 1998 | Fiscal Year 1997 |
|--|---------------------|---------------------|
| Beginning of Fiscal Year Liability | \$ 277,177 | \$ 277,177 |
| Claims and Claims Adjustments Incurred | | |
| Changes in Estimates | (185,328) | |
| Claims and Claims Adjustment Payments | (91,849) | |
| Balance at Fiscal Year End | <u>\$ 0</u> | <u>\$ 277,177</u> |

Note 13

DEFEASANCE OF LONG-TERM DEBT

The State Property and Buildings Commission issued \$44,110,000 Revenue and Revenue Refunding Bonds, Project 60, dated May 1, 1998. The net proceeds of this issue were \$44,963,808 after issuance cost, underwriters discount and premium of \$853,808. \$6,890,850 of the proceeds were used to finance new projects. The remaining \$38,072,958 was placed in an escrow account to refund Project 26, Second Series; Project 30, Fifth Series; Project 31, Fourth Series; Project 32, third Series; and Project 53 bonds. The net savings (reduction in cash flow) for the Refunding Bonds will be \$1,928,404. The present value is \$1,315,236 at a rate of 4.9840%.

Also, issued was \$3,620,000 Revenue Refunding Bonds, Project 61, dated May 1, 1998. The net proceeds of this issue were \$3,580,788 after cost of issuance and discounts of \$39,212. The net proceeds were placed in an escrow account to refund Project 39, Second Series, bonds. The net savings (reduction in cash flow) for the Refunding Bonds will be \$616,480. The present value is \$471,652 at a rate of 4.9840%.

The Kentucky School Facilities Construction Commission issues

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revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service for qualifying districts. During the fiscal year ended June 30, 1998, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated August 1, 1997, were issued for the Shelby County School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$914,252 maturing May 1, 1998 through May 1, 2007, and carrying interest rates from 3.800% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1997, were issued for the Powell County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$484,642 maturing December 1, 1997 through December 1, 2009, and carrying interest rates from 4.250% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1997, were issued for the Covington Independent School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$676,938 maturing February 1, 1998 through August 1, 2008, and carrying interest rates from 4.000% to 4.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1997, were issued for the Christian County School District Finance Corporation to refund a 1989 and 1991 issues. The Commission's portion of the refunding issue was \$2,936,505 maturing June 1, 1998 through June 1, 2011, and carrying interest rates from 4.000% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1997, were issued for the Edmonson County School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$1,326,081 maturing April 1, 1998 through April 1, 2005, and carrying interest rates from 3.750% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated September 1, 1997, were issued for

the Boone County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$3,044,943 maturing August 1, 1998 through August 1, 2010, and carrying interest rates from 4.000% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1997, were issued for the Berea Independent School District Finance Corporation to refund 1987, 1989 and 1991 issues. The Commission's portion of the refunding issue was \$138,500 maturing May 1, 1998 through November 1, 2009, and carrying interest rates from 4.100% to 4.800%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987, 1989, and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1997, were issued for the Wolfe County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$549,588 maturing March 1, 1998 through March 1, 2011, and carrying interest rates from 4.000% to 4.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1997, were issued for the Jenkins Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$538,835 maturing February 1, 1998 through August 1, 2011, and carrying interest rates from 4.000% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1997, were issued for the Knox County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$405,862 maturing April 1, 1998 through April 1, 2010, and carrying interest rates from 4.300% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1997, were issued for the Rowan County School District Finance Corporation to refund a 1987 Series A, 1987 Series B, and 1989 issues. The Commission's portion of the refunding issue was \$3,624,946 maturing April 1, 1998 through April 1, 2009, and carrying interest rates from 3.800% to 4.800%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. There were no savings to the Commission for this issue.

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Revenue refunding bonds dated November 1, 1997, were issued for the Garrard County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$1,988,257 maturing May 1, 1998 through November 1, 2009, and carrying interest rates from 3.750% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1997, were issued for the Boyd County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$1,707,793 maturing April 1, 1998 through October 1, 2017, and carrying interest rates from 4.400% to 5.375%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds, Series B, dated November 1, 1997, were issued for the Greenup County School District Finance Corporation to refund a 1989 and a 1990 issue. The Commission's portion of the refunding issue was \$3,120,000 maturing February 1, 1998 through February 1, 2010, and carrying interest rates from 4.000% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds, Series B, dated November 1, 1997, were issued for the Barbourville Independent School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$214,470 maturing April 1, 1998 through April 1, 2010, and carrying interest rates from 4.200% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Henry County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$161,879 maturing January 1, 1999 through January 1, 2009, and carrying interest rates from 4.000% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Monroe County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$3,235,626 maturing February 1, 1998 through August 1, 2009, and carrying interest rates from 3.750% to 4.625%. The proceeds were placed in an escrow account to fund the debt service requirements

for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Bath County School District Finance Corporation to refund a 1988 issue and a 1990 issue. The Commission's portion of the refunding issue was \$1,833,562 maturing April 1, 1998 through October 1, 2009, and carrying interest rates from 3.900% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Scott County School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$1,182,399 maturing June 1, 1998 through December 1, 2008, and carrying interest rates from 3.900% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Pike County School District Finance Corporation to refund a 1989, 1990A and 1990B issues. The Commission's portion of the refunding issue was \$9,270,160 maturing June 1, 1998 through December 1, 2009, and carrying interest rates from 4.000% to 4.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Whitley County School District Finance Corporation to refund a 1989 and 1991 issues. The Commission's portion of the refunding issue was \$2,549,562 maturing May 1, 1998 through May 1, 2011, and carrying interest rates from 4.100% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1997, were issued for the Union County School District Finance Corporation to partially refund a 1990 issue. The Commission's portion of the refunding issue was \$1,649,314 maturing March 1, 1998 through September 1, 2010, and carrying interest rates from 3.750% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Magoffin County School District Finance Corporation to refund a

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1989 and a 1991 issue. The Commission's portion of the refunding issue was \$1,631,171 maturing May 1, 1998 through November 1, 2010, and carrying interest rates from 3.900% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Grant County School District Finance Corporation to partially refund a 1990 issue. The Commission's portion of the refunding issue was \$1,538,639 maturing April 1, 1998 through October 1, 2009, and carrying interest rates from 3.850% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Paris Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$536,033 maturing June 1, 1998 through June 1, 2011, and carrying interest rates from 4.000% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Bourbon County School District Finance Corporation to refund 1987 and 1988 issues and to partially refund 1990 and 1991 issues. The Commission's portion of the refunding issue was \$2,047,669 maturing May 1, 1998 through November 1, 2010, and carrying interest rates from 4.000% to 4.100%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987, 1988, 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Boyle County School District Finance Corporation to partially refund a 1989 issue. The Commission's portion of the refunding issue was \$406,342 maturing June 1, 1998 through June 1, 2009, and carrying interest rates from 3.650% to 4.1250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Covington Independent School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$2,625,753 maturing June 1, 1998 through December 1, 2006, and carrying interest rates from 3.700% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being

refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Marion County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$423,976 maturing June 1, 1998 through June 1, 2006, and carrying interest rates from 3.900% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Powell County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$495,552 maturing June 1, 1998 through December 1, 2009, and carrying interest rates from 3.900% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 15, 1998, Series A, were issued for the Caldwell County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$680,865 maturing June 1, 1998 through June 1, 2011, and carrying interest rates from 3.600% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 15, 1998, Series B, were issued for the Caldwell County School District Finance Corporation to partially refund a 1987 issue and to refund a 1989 issue. The Commission's portion of the refunding issue was \$2,639,350 maturing August 1, 1998 through August 1, 2009, and carrying interest rates from 3.600% to 4.25%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Ft. Thomas School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$292,737 maturing June 1, 1998 through June 1, 2007, and carrying interest rates from 4.100% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Shelby County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$607,133 maturing May 1, 1998 through November 1, 2009, and carrying interest rates from 3.850% to 4.250%. The proceeds were

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placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Cumberland County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$813,185 maturing June 1, 1998 through December 1, 2010, and carrying interest rates from 3.850% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Monroe County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$563,427 maturing February 1, 1998 through February 1, 2011, and carrying interest rates from 4.200% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1998, were issued for the Leslie County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$7,079 maturing May 1, 1998 through November 1, 2009, and carrying interest rates from 4.375% to 4.375%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Breathitt County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$1,040,572 maturing August 1, 1998 through August 1, 2009, and carrying interest rates from 2.000% to 4.350%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Crittenden County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$649,261 maturing June 1, 1998 through December 1, 2010, and carrying interest rates from 3.700% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Fulton Independent School District Finance Corporation to

refund a 1987 and partially refund a 1991 issue. The Commission's portion of the refunding issue was \$811,362 maturing July 1, 1998 through July 1, 2010, and carrying interest rates from 3.900% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Jefferson County School District Finance Corporation to partially refund a 1990 and a 1991 issue. The Commission's portion of the refunding issue was \$14,606,913 maturing February 1, 1999 through February 1, 2011, and carrying interest rates from 3.800% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the Henry County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$534,877 maturing March 1, 1999 through March 1, 2010, and carrying interest rates from 4.100% to 4.550%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Raceland-Worthington School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$1,013,112 maturing February 1, 1999 through February 1, 2010, and carrying interest rates from 3.850% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Montgomery County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$2,397,418 maturing June 1, 1998 through June 1, 2011, and carrying interest rates from 4.000% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Warren County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$2,048,784 maturing April 1, 1998 through April 1, 2011, and carrying interest rates from 3.800% to 4.500%. The proceeds were placed in an escrow account to fund the debt service require-

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ments for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 15, 1998, were issued for the Corbin Independent School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$39,140 maturing April 1, 1999 through April 1, 2011, and carrying interest rates from 4.500% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, Series A, were issued for the Grayson County School District Finance Corporation to refund a 1987 issue, a 1990 issue and a 1991 issue. The Commission's portion of the refunding issue was \$1,046,204 maturing June 1, 1998 through December 1, 2011, and carrying interest rates from 4.250% to 4.375%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987, 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, Series B, were issued for the Grayson County School District Finance Corporation to partially refund a 1990 issue. The Commission's portion of the refunding issue was \$1,570,000 maturing January 1, 1999 through January 1, 2010, and carrying interest rates from 4.150% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Gallatin County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$288,734 maturing June 1, 1998 through December 1, 2010, and carrying interest rates from 3.700% to 4.450%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Leslie County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$2,249,520 maturing May 1, 1998 through May 1, 2011, and carrying interest rates from 4.000% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for

the Lewis County School District Finance Corporation to refund a 1989 issue, a 1990 issue and a 1991 issue. The Commission's portion of the refunding issue was \$1,637,503 maturing May 1, 1998 through November 1, 2010, and carrying interest rates from 3.650% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989, 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Nelson County School District Finance Corporation to refund a 1989 issue, and partially refund 1991 issues dated May, 1991 and December, 1991. The Commission's portion of the refunding issue was \$2,513,686 maturing June 1, 1998 through December 1, 2011, and carrying interest rates from 4.000% to 4.625%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Pike County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$1,733,439 maturing June 1, 1998 through December 1, 2009, and carrying interest rates from 1.000% to 4.650%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Wayne County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$495,054 maturing June 1, 1998 through June 1, 2011, and carrying interest rates from 4.000% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Williamstown Independent School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$193,155 maturing May 1, 1998 through May 1, 2011, and carrying interest rates from 4.100% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1998, were issued for the Owen County School District Finance Corporation to refund a 1986 issue and partially refund a 1990 issue. The Commission's portion of the refunding issue was \$1,321,011 maturing June 1, 1998 through December 1, 2009, and carrying interest rates from 3.750%

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to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated April 1, 1998, were issued for the Jessamine County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$1,033,065 maturing June 1, 1998 through June 1, 2011, and carrying interest rates from 1.000% to 4.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the Calloway County School District Finance Corporation to refund a 1988 issue and a 1990 issue. The Commission's portion of the refunding issue was \$2,235,000 maturing October 1, 1998 through October 1, 2009, and carrying interest rates from 3.900% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the Dayton Independent School District Finance Corporation to refund a 1989 and a 1991 issue. The Commission's portion of the refunding issue was \$753,963 maturing September 1, 1998 through September 1, 2010, and carrying interest rates from 3.900% to 4.650%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the McLean County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$1,270,000 maturing July 1, 1998 through July 1, 2009, and carrying interest rates from 3.900% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the Ludlow Independent School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$320,787 maturing December 1, 1998 through December 1, 2009, and carrying interest rates from 4.000% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the

Simpson County School District Finance Corporation to refund a 1988 issue and partially refund a 1991 issue. The Commission's portion of the refunding issue was \$1,029,462 maturing January 1, 1999 through January 1, 2011, and carrying interest rates from 4.200% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1998, were issued for the Woodford County School District Finance Corporation to refund a 1987 issue and partially refund 1990 and 1991 issues. The Commission's portion of the refunding issue was \$2,433,465 maturing August 1, 1998 through August 1, 2010, and carrying interest rates from 1.000% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987, 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated April 1, 1998, were issued for the Butler County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$889,514 maturing March 1, 1999 through March 1, 2011, and carrying interest rates from 4.100% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Martin County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$3,492,970 maturing September 1, 1998 through September 1, 2009, and carrying interest rates from 1.000% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated April 1, 1998, were issued for the Carter County School District Finance Corporation to partially refund a 1990 issue, a 1991 issue. The Commission's portion of the refunding issue was \$1,622,847 maturing May 1, 1999 through May 1, 2011, and carrying interest rates from 4.300% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Floyd County School District Finance Corporation to refund a 1988 issue, a 1989 issue, a June 1990 issue and December 1990 issue. The Commission's portion of the refunding issue was \$12,875,000 maturing December 1, 1998 through December 1, 2009, and carrying interest rates from 1.000% to 5.000%. The

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proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988, 1989 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Laurel County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$3,770,054 maturing March 1, 1999 through March 1, 2011, and carrying interest rates from 3.900% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Pendleton County School District Finance Corporation to partially refund 1989 and 1991 issues. The Commission's portion of the refunding issue was \$705,259 maturing August 1, 1998 through August 1, 2010, and carrying interest rates from 3.800% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Taylor County School District Finance Corporation to refund a 1989 and 1991 issues. The Commission's portion of the refunding issue was \$719,310 maturing August 1, 1998 through August 1, 2010, and carrying interest rates from 4.050% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Russell County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$925,000 maturing June 1, 1999 through June 1, 2009, and carrying interest rates from 3.950% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the Bell County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$1,431,083 maturing September 1, 1998 through September 1, 2011, and carrying interest rates from 4.150% to 4.650%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated May 1, 1998, were issued for the

Hopkins County School District Finance Corporation to partially refund a 1989 issue. The Commission's portion of the refunding issue was \$409,783 maturing August 1, 1998 through August 1, 2009, and carrying interest rates from 4.100% to 4.350%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated June 1, 1998, were issued for the Anchorage Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$168,587 maturing June 1, 1999 through June 1, 2011, and carrying interest rates from 3.900% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated June 1, 1998, were issued for the Logan County School District Finance Corporation to refund a February 1987 issue, a March 1987 issue and partially refund a 1990 issue. The Commission's portion of the refunding issue was \$4,218,833 maturing February 1, 1999 through February 1, 2010, and carrying interest rates from 1.000% to 4.125%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated June 1, 1998, were issued for the McCreary County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$2,434,540 maturing October 1, 1998 through October 1, 2010, and carrying interest rates from 4.125% to 4.450%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated June 1, 1998, were issued for the Daviess County School District Finance Corporation to partially refund a 1989 issue and a 1991 issue. The Commission's portion of the refunding issue was \$4,545,280 maturing June 1, 1999 through June 1, 2011, and carrying interest rates from 3.800% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Bardstown Independent School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$401,203 maturing May 1, 1999 through May 1, 2012, and carrying interest rates from 4.500% to 4.500%. The proceeds were

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placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Elliott County School District Finance Corporation to refund a 1989 issue and a 1990 issue. The Commission's portion of the refunding issue was \$1,608,689 maturing November 1, 1998 through November 1, 2009, and carrying interest rates from 3.750% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Larue County School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$680,991 maturing October 1, 1998 through October 1, 2012, and carrying interest rates from 4.400% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Component Units

The University of Kentucky issued \$4,695,000 Consolidated Educational Buildings Revenue Refunding Bonds, Series M (Second Series), dated June 1, 1998. The net proceeds of this issued were \$4,611,756 after discounts and cost of issuance of \$83,244. The net proceeds were placed in an escrow account to provide for all future debt service requirements on the Series M bonds being defeased. The University had an economic gain of \$173,000.

Eastern Kentucky University issued \$7,750,000 Consolidated Education Buildings Refunding Revenue Bonds, Series S, dated January 1, 1998. The net proceeds of this issue were \$7,583,706 after discounts and cost of issuance of \$166,294. The net proceeds were placed in an escrow account to provide for the debt service of the portions of the Series N and Series O bonds being refunded. The net savings (reduction in cash flow) for the Refunding Bonds will be \$792,368. The present value is \$590,975 at a rate of 4.3851%.

Eastern Kentucky University issued \$8,895,000 Consolidated Education Buildings Refunding Revenue Bonds, Series T dated January 1, 1998. The net proceeds of this issue were \$8,695,310 after discounts and cost of issuance of \$199,690. The net proceeds were placed in an escrow account to provide for the debt service for the portions of the Series P Bonds being refunded. The net savings (reduction in cash flow) for the Refunding Bonds will be \$846,601. The present value is \$619,231 at a rate of 4.3851%.

Kentucky Infrastructure Authority issued \$28,775,000 Infrastructure Revolving Fund Program Revenue and Revenue Refunding

Bonds, 1997 Series L. The net proceeds of this issue were \$28,596,751, after premium, discount and cost of issuance of \$178,249. \$25,206,502 of the proceeds were placed in an escrow account to advance refund 1989, Series A; 1991 Series C; and 1991 Series E; and 1992 Series G bonds. The remaining \$3,390,249 was used to fund new projects. The net savings (reduction in cash flow) for the Refunding Bonds will be \$1,910,040. The present value is \$1,375,353 at a rate of 5.9070%.

Kentucky Infrastructure Authority issued \$3,765,000 Wastewater Revolving Fund Program Revenue Refunding Bonds, 1998 Series E. The net proceeds of this issue were \$3,538,809, discount and cost of issuance of \$226,191. The net proceeds were placed in an escrow account to advance refund 1992, Series A bonds. The net savings (reduction in cash flow) for the Refunding Bonds will be \$180,696. The present value is \$138,340 at a rate of 4.1050%.

Kentucky Infrastructure Authority issued \$3,240,000 Governmental Agencies Program Revenue and Revenue Refunding Bonds, 1998 Series I. The net proceeds of this issue were \$3,166,242, after premium, discount and cost of issuance of \$73,758. \$2,000,000 of the proceeds were placed in an escrow account to advance refund 1991, Series D bonds. The remaining \$1,166,242 was used to fund new projects. The net savings (reduction in cash flow) for the Refunding Bonds will be \$85,373. The present value is \$62,038 at rate of 5.9084%.

Note 14

RELATED ORGANIZATIONS

The Commonwealth has several related organizations. The financial activities of these organizations are not included in the State's financial statements. They are the East Kentucky Corporation, West Kentucky Corporation, West Kentucky Economic Development Fund, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority and the Interstate Air Pollution Control Commission. The Commonwealth holds no economic interest in, nor has any financial responsibility for these organizations.

Note 15

LONG-TERM OBLIGATIONS

General Obligation Bonds are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new

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issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 1998.

Revenue Bonds - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring State appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky

Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such "municipal debt," whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in daily activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide "debt service," principal and interest payments on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction is important in analyzing the true level of "State" debt and the "burden" of that debt on State resource.

The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 1998, are as follows (Expressed in Thousands):

| General Long-Term Obligations Account Group | Principal Outstanding | Interest Rate | Annual Maturity To |
|---|--------------------------|------------------|-----------------------|
| Agency: State Property & Buildings Commission | \$ 1,006,866 | 2.4%-9.84% | 2018 |
| Turnpike Auth. of Kentucky | 1,303,416 | 4.46%-9.7% | 2015 |
| Kentucky School Facilities Construction Commission | \$ 1,430,303 | | |
| Less: Local school district participation | <u>907,152</u> | | |
| Total | <u>\$ 2,833,433</u> | 2.2% - 8.25% | 2018 |

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Future revenue bond debt service requirements, to be paid with State funds, at June 30, 1998, are as follows (Expressed in Thousands):

| Year Ending June 30, | Principal | Interest | Totals |
|----------------------|---------------------|---------------------|---------------------|
| 1999 | \$ 192,090 | \$ 153,356 | \$ 345,446 |
| 2000 | 202,013 | 143,013 | 345,026 |
| 2001 | 191,691 | 140,925 | 332,616 |
| 2002 | 197,566 | 126,690 | 324,256 |
| 2003 | 221,657 | 131,124 | 352,781 |
| Thereafter | 1,828,416 | 631,927 | 2,460,343 |
| | <u>\$ 2,833,433</u> | <u>\$ 1,327,035</u> | <u>\$ 4,160,468</u> |

| Component Unit Revenue Bonds Payable | Principal Outstanding | Interest Rate | Annual Maturity To |
|--|-----------------------|---------------|--------------------|
| Kentucky Housing Corporation* | \$ 887,239 | 3.7%-9.0% | 2031 |
| Kentucky Infrastructure Authority* | 190,920 | 3.0%-8.4% | 2018 |
| Kentucky Higher Education Student Loan Corporation | 423,735 | 4.4%-9.25% | 2027 |
| Kentucky Local Correctional Facilities Construction Authority* | 39,300 | 4.25%-5.5% | 2014 |
| Kentucky Economic Development Finance Authority | 72,124 | 5.4% | 1999 |
| University of Kentucky | 207,647 | 3.875%-7.25% | 2025 |
| University of Louisville | 170,579 | 3.0%-10.0% | 2018 |
| Eastern Kentucky University | 58,680 | 3.0%-6.6% | 2011 |
| Western Kentucky University | 53,488 | 2.6%-7.4% | 2025 |
| Murray State University | 22,012 | 2.88%-7.25% | 2017 |
| Morehead State University | 29,395 | 2.875%-7.15% | 2014 |
| Kentucky State University | 20,255 | 3.0%-9.0% | 2014 |
| Northern Kentucky University | 50,985 | 3.0%-8.3% | 2021 |
| Kentucky Community and Technical College System | 95,770 | 3.0%-7.2% | 2011 |
| Total Component Unit Revenue Bonds Payable | <u>\$ 2,322,129</u> | | |

*Amounts include unamortized premiums, discounts, or deferred loss or early retirement of debt.

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Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units, at June 30, 1998, are as follows (amounts expressed in thousands):

| Year Ending June 30, | Principal | Interest | Totals |
|----------------------|---------------------|---------------------|---------------------|
| 1999 | \$ 183,722 | \$ 126,272 | \$ 309,994 |
| 2000 | 127,311 | 117,673 | 244,984 |
| 2001 | 117,360 | 112,407 | 229,767 |
| 2002 | 129,169 | 106,007 | 235,176 |
| 2003 | 126,737 | 97,430 | 224,167 |
| Thereafter | 1,637,830 | 911,778 | 2,549,608 |
| | <u>\$ 2,322,129</u> | <u>\$ 1,471,567</u> | <u>\$ 3,793,696</u> |

During the fiscal year ended June 30, 1998, the debt issuing entities described below sold revenue and revenue refunding bonds as follows:

The Kentucky State Property and Buildings Commission is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of the Finance and Administration Cabinet, Secretary of the Revenue Cabinet, and Secretary of the Economic Development (formerly Commerce) Cabinet. The Commission is an independent agency of the Commonwealth created by KRS 56.450 and empowered upon application of any State agency to issue bonds in its own name to pay the costs of acquiring land and equipment, and the construction and equipping of buildings for the occupancy and/or use of said agencies.

During the fiscal year ended June 30, 1998, the Commission issued \$47,730,000 in Revenue and Revenue Refunding Bonds as follows:

\$44,110,000, Project 60, a revenue and revenue refunding issue with \$41,705,000 in serial bonds maturing each October 1, 1998 through 2012, at 3.7% to 5.55%, and \$2,405,000 in term bonds due October 1, 2017, at 5.1%; and

\$3,620,000, Project 61, a revenue refunding issue maturing serially each October 1, 1998 through 2007, at 4.0% to 4.8%

The Turnpike Authority of Kentucky was created in the 1960 regular session of the General Assembly under present KRS sections 175.410 through 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and instrumentality of the Commonwealth. The Authority is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of Transportation, Commissioner of Highways, State Highway Engineer, and Secretary of Economic Development. The Secretary of the Finance and Administration Cabinet currently serves as the Authority's Treasurer.

The Authority issued no bonds during the fiscal year ended June 30, 1998.

State Universities - The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 64.860 but is limited to \$16 million of refunding debt.

During the fiscal year ended June 30, 1998, state supported universities issued \$27,540,000 in revenue and refunding revenue bonds as follows:

\$6,200,000, University of Kentucky, Consolidated Educational Buildings Revenue Bonds, Series P, maturing serially each May 1, 1999 through 2018 at 4.6% to 4.75%;

\$4,695,000, University of Kentucky, Consolidated Educational Buildings Refunding Revenue Bonds, Series M (second series), maturing serially each May 1, 1999 through 2011, at 4.25% to 4.6%;

\$7,750,000, Eastern Kentucky University, Consolidated Educational Buildings Refunding Revenue Bonds, Series S, maturing serially each May 1, 1998 through 2011, at 3.5% to 4.35%; and

\$8,895,000, Eastern Kentucky University, Consolidated Educational Buildings Refunding Revenue Bonds, Series T, maturing serially each May 1, 1998 through 2011 at 3.5% to 4.35%.

The Kentucky Housing Corporation, established in 1972 under KRS Chapter 198A, is a municipal corporation and political subdivision of the Commonwealth governed by a board of directors comprised of the Secretary of the Finance and Administration Cabinet, Commissioner of the Department of Local Government, Secretary of the Revenue Cabinet, Attorney General, Secretary of

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the Economic Development Cabinet, Lieutenant Governor, and eight additional members appointed by the Governor. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Corporation is limited to a \$2.125 billion total maximum principal value of debt outstanding.

During the fiscal year ended June 30, 1998, the Corporation issued or remarketed \$76,385,000 in Housing Revenue Bonds as follows:

\$22,550,000, 1997 Series D, a replacement refunding issue with \$1,330,000 in serial bonds maturing semiannually each January 1 and July 1, 2008 through 2010, at 5.0% to 5.25%, and term maturities of \$5,205,000 due July 1, 2018, at 5.55% and \$16,015,000 due July 1, 2030, at 5.6%;

\$5,340,000, 1997 Series E, a replacement refunding issue maturing serially each January 1 and July 1, 1999 through January 1, 2008, at 4.0 to 5.4%; and

\$8,495,000, 1997 F, a replacement refunding issue with term maturities including \$830,000 due July 1, 2013, at 5.45%, \$2,790,000 due January 1, 2021, at 4.95%, \$2,875,000 due January 1, 2028, at 5.70%, and \$2,000,000 due July 1, 2028, at 5.7%;

\$10,845,000 Housing Revenue Bonds, 1998 Series A, with \$8,020,000 in annual serial maturities each July 1, 1999 through 2009, at 3.8% to 4.65% and \$2,825,000 in term bonds due July 1, 2017, at 5.125%;

\$29,155,000 Housing Revenue Bonds, 1998 Series B with term maturities including \$6,745,000 due July 1, 2018, at 5.3%, \$3,140,000 due January 1, 2021, at 5.0%, \$215,000 due January 1, 2023, at 5.35%, \$4,055,000 due July 1, 2023, at 5.35%, \$3,000,000 due January 1, 2030, at 5.25%, and \$12,000,000 due July 1, 2030, at 5.25%.

The Kentucky Infrastructure Authority was created by House Bill 217, passed into law during the 1988 regular session of the Kentucky General Assembly, to assist governmental agencies of the State with respect to the construction and acquisition of infrastructure projects as defined in the legislation. Pursuant to this Act, which amends KRS Chapter 224A, all powers, duties, and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority, including administration of debt service on revenue bonds previously issued by the Authority, are transferred to the Kentucky Infrastructure Authority, which is established as a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the State.

During the fiscal year ended June 30, 1998, the Authority issued

\$42,340,000 various program revenue and revenue refunding bonds as follows:

\$28,775,000, Infrastructure Revolving Fund Program Revenue and Revenue Refunding Bonds, 1997 Series L, maturing serially each June 1, 1998 through 2017, at 4.0% to 5.5%;

\$6,560,000, Wastewater Revolving Fund Program Revenue Bonds, 1998 Series E, with \$5,105,000 in serial bonds maturing each June 1, 1999 through 2014, at 4.0% to 5.0%, and \$1,455,000 in term bonds due June 1, 2017, at 5.0%;

\$3,765,000, Solid Waste Revolving Fund Program Revenue Refunding Bonds, 1998 Series E, maturing serially each June 1, 1998 through 2012, at 3.0% to 4.875%; and

\$3,240,000, Governmental Agencies Program Revenue and Revenue Refunding Bonds, 1998 Series I, with \$2,795,000 in serial bonds maturing each August 1, 1998 through 2014, at 3.1% to 5.0%, and \$445,000 in term bonds due August 1, 2017, at 5.0%.

The Kentucky Higher Education Student Loan Corporation is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by a seven member board of directors consisting of the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, the Chairman of the Kentucky Higher Education Assistance Authority, and four members chosen from the general public. The Corporation is limited to a maximum principal outstanding of \$553 million.

During the fiscal year ended June 30, 1998, the Corporation issued \$2,040,000, in Insured Student Loan Revenue Bonds dated September 1, 1997, as follows:

\$1,040,000, 1997 Series C, a replacement refunding issue with term maturities including \$140,000 due June 1, 1998, at 4.4%, \$70,000 due June 1, 1999, at 4.75%, \$50,000 due December 1, 1999, at 4.75%, \$135,000 due June 1, 2000, at 5.0%, and \$645,000 due June 1, 2002, at 5.15%; and

\$1,000,000, 1997 Series D, a replacement refunding issue with term bonds due June 1, 2003, at 5.4%.

The Kentucky Local Correctional Facilities Construction Authority is a body corporate and politic as well as an agency and instrumentality of the Commonwealth created in 1982 pursuant to KRS 441.605 through 441.695, as amended, to provide additional and alternative methods for acquiring, constructing, improving or repairing, and financing both regional and local jail facilities.

The Authority issued no bonds during the year ended June 30, 1998.

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The Kentucky School Facilities Construction Commission was created by act of the 1985 Extraordinary Session of the Kentucky General Assembly as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of the Authority, including refunding of then existing Authority debt. The Commission is an independent corporate agency and instrumentality of the Commonwealth pursuant to KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 1998, the Commission sold one hundred eighteen (118) school building revenue and revenue refunding bond issues having aggregate state participation of \$163,605,121 maturing through June 1, 2018, at interest rates of 1.0% to 5.9%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 1998, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1998. Copies of this report are available from the Division of Accounts, Financial Reporting Branch, 483 Capitol Annex, Frankfort, Kentucky 40601.

The Kentucky Agricultural Finance Corporation is a public corporation and governmental agency of the Commonwealth established by Act of the 1984 General Assembly for the purpose of "improving and promoting the health, welfare, and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." The Authority's bond program is designed to help lender banks and other financial institutions assist eligible farmers in obtaining low interest loans through the issuance of tax-exempt agricultural revenue bonds. The Authority's debt does not constitute a legal or moral obligation of the Commonwealth, and this debt is not included in these general purpose financial statements.

The Corporation issued no bonds during the year ended June 30, 1998.

The Kentucky Economic Development Finance Authority established in 1958 under KRS Chapter 154, is an independent agency of Commonwealth which operates in close cooperation with the Secretary of the Economic Development Cabinet to promote the industrial development of Kentucky.

The Authority issued no revenue bonds that constitute a legal obligation of the Commonwealth during the fiscal year ended June 30, 1998.

During this same reporting period, KEDFA is a party to \$127,750,000 in conduit debt which does not constitute a general debt, liability, or moral obligation of the Commonwealth. Accordingly, these general purpose financial statements do not include any assets or liabilities related to the issuance of this debt.

NOTES PAYABLE:

At June 30, 1998, the following entities had notes payable as follows:

The Kentucky Asset/Liability Commission, created by House Bill 5 enacted by the 1997 Extraordinary Session of the Kentucky General Assembly, develops policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and liabilities. It is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgements against the Commonwealth or any state agency.

The Commission issued \$200,400,000 General Fund Tax and Revenue Anticipation Notes, 1997 Series A, dated July 10, 1997, which matured June 25, 1998, at 4.5%.

The Commission also authorized \$157,000,000 Project Notes, 1998 General Fund Series. \$72,416,000 Series A Notes were issued and \$2,416,000 redeemed during the period, leaving year-end principal outstanding of \$70,000,000, maturing June 30, 2001, at initial interest of 3.65% to 3.7%. \$2,800,000 Series C Notes were issued and redeemed during the period. \$81,784,000 remains authorized but unissued at year-end.

The Kentucky Housing Corporation issued \$39,260,000 in 1998 Series C Housing Revenue Notes dated June 1, 1998, closed June 25, 1998, and due July 1, 1999, at 3.7%

The Kentucky Infrastructure Authority issued \$3,700,000 Governmental Agencies Program Revenue Bond Anticipation Notes, 1997 Series B, dated September 3, 1997, with an initial weekly interest rate of 3.65%, and matured June 30, 1998.

The Authority also issued \$7,300,000 Governmental Agencies Program Revenue Bond Anticipation Notes, 1998 Series A, dated June 17, 1998, due June 30, 2000, at an initial weekly interest rate of 3.7%.

The Kentucky Lottery Corporation, on December 18, 1996, borrowed \$6,787,000 to fund the renovation of real estate purchased during the year ended June 30, 1996, to be used as a new corporate headquarters. The terms of the loans require monthly interest payments beginning December 31, 1996, with an annual interest rate of 6.66%. Principal payments began in October 1997, and are due in sixty monthly installments.

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The University of Kentucky Healthcare Collection Service, borrowed a total of \$149,000 from University of Kentucky Hospital for a computer system upgrade to assist its collection process. The \$95,000 balance on this non-interest bearing note is payable in monthly installments of \$2,972.22 through February 28, 2001, then \$1,222.22 until April 30, 2001. Aggregate principal of \$35,666.64 is due during fiscal years 1999 and 2000. \$23,777.84 principal is due during fiscal year 2001.

Northern Kentucky University reported \$2,361,000 in notes payable for various installment purchase contracts to acquire property and equipment, to include \$156,500 during fiscal 1998. Payments, including interest, through June 30, 2002, total \$2,534,000.

Murray State University borrowed \$400,000 from the Commonwealth of Kentucky Capital Construction and Equipment Purchase Contingency Account during 1997 to fund a portion of the Regional Special Events Center. The note bears an effective rate of interest of 6.7% and the University is required to make annual equal payments of principal and interest through June, 2002.

During the fiscal year ended June 30, 1998, the University entered into a master lease agreement with a bank to finance up to \$1,500,000 of expenditures for the campus networking project. Each draw on the agreement is treated as a separate note, with all due in February,

Future debt service requirements for aggregate Notes Payable at June 30, 1998, are as follows (amounts expressed in thousands):

| Year Ending June 30, | Principal | Interest | Totals |
|----------------------|-------------------|------------------|-------------------|
| 1999 | \$ 13,668 | \$ 4,160 | \$ 17,828 |
| 2000 | 108,285 | 3,847 | 112,132 |
| 2001 | 2,118 | 466 | 2,584 |
| 2002 | 1,722 | 344 | 2,066 |
| 2003 | 606 | 251 | 857 |
| Thereafter | 3,123 | 1,798 | 4,921 |
| | <u>\$ 129,522</u> | <u>\$ 10,866</u> | <u>\$ 140,388</u> |

Changes in General Long-Term Obligations

Changes in general long-term obligations (Expressed in Thousands) for the fiscal year ended June 30, 1998, are summarized as follows:

| | Compensated Absences | Capital Leases | Notes Payable | State Supported Revenue Bonds | Judgements & Contingent Liabilities | Unfunded Employer Pension Contributions | Totals |
|---------------------------------------|----------------------|-----------------|------------------|-------------------------------|-------------------------------------|---|---------------------|
| Balance at June 30, 1997, as restated | \$ 179,725 | \$ 1,122 | | \$ 3,000,858 | \$ 198,228 | \$ 67,811 | \$ 3,447,744 |
| Obligations Incurred | 120,995 | 570 | 75,216 | 211,335 | 47,873 | 43,050 | 499,039 |
| Obligations Retired | (109,516) | (635) | (5,216) | (378,760) | (22,801) | (332) | (517,260) |
| Balance at June 30, 1998 | <u>\$ 191,204</u> | <u>\$ 1,057</u> | <u>\$ 70,000</u> | <u>\$ 2,833,433</u> | <u>\$ 223,300</u> | <u>\$ 110,529</u> | <u>\$ 3,429,523</u> |

2004. The University is required to make monthly payments of principal and interest. The University utilized \$600,000 of this financing during the current fiscal year, with an effective interest rate of 4.23%. The combined principal balance of these notes is \$893,109.

Morehead State University reported a \$444,115 note payable to a company, repayable in monthly installments of \$4,904, plus interest at prime (currently 8.5%), to December, 2005.

The University of Louisville Athletic Association, Incorporated has entered into a promissory note of \$3.5 million with CSX Transportation, Incorporated in exchange for CSX property to be used for a sports stadium. The note is to be paid over twenty years with an interest rate of 7.5% per annum. The note is secured by an irrevocable letter of credit by Bank One, Kentucky, NA on behalf of the Association. The current balance is \$3,400,000.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

Note 16

SEGMENT INFORMATION

Segment financial information for the Commonwealth's Enterprise Funds for the year ended June 30, 1998, is presented below (Expressed in Thousands):

**Primary Government
Enterprise Funds**

| | State Parks | Kentucky Lottery Corporation | Industries for the Blind | Horse Park | Insurance Administration | Totals |
|--|---------------------------|------------------------------------|-----------------------------|------------------|-----------------------------|------------|
| | Recreation and Lodging | Lottery Operations | Light Industry | Equine Museum | Insurance | |
| Goods and Services Provided | | | | | | |
| Operating Revenues | \$ 44,692 | \$ 584,989 | \$ 1,123 | \$ 3,946 | \$ 310,327 | \$ 945,077 |
| Depreciation and Amortization Expense | 3,898 | 2,114 | 30 | 497 | 209 | 6,748 |
| Operating Income (Loss) | (31,837) | 155,477 | (1,143) | (2,861) | 18,838 | 138,474 |
| Income (Loss) Before Operating Transfers and Extraordinary Item | (31,843) | 180,608 | (1,141) | (2,861) | 18,822 | 163,585 |
| Operating Transfers: | | | | | | |
| In | 31,889 | | 900 | 2,331 | 19,111 | 54,231 |
| Out | (1,285) | (153,000) | | | (9,241) | (163,526) |
| Net Income (Loss) | (1,239) | 27,608 | (241) | (530) | 28,692 | 54,290 |
| Current Contributed Capital: Contributions | 30,610 | | | 339 | | 30,949 |
| Fixed Assets: | | | | | | |
| Additions | 31,383 | | | 339 | 330 | 32,052 |
| Deletions | 306 | | 12 | | 130 | 448 |
| Net Working Capital | 3,597 | 20,705 | 158 | 332 | (82,716) | (57,924) |
| Total Assets | 163,784 | 452,952 | 1,042 | 15,784 | 581,662 | 1,215,224 |
| Bonds and Other Long-Term Liabilities: | | | | | | |
| Payable from Operating Revenue and Operating Transfers-in | 3,266 | 378,764 | 26 | 197 | 1,475,878 | 1,858,131 |
| Total Equity | 155,500 | 67,349 | 879 | 14,872 | (1,105,419) | (866,819) |

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

CONDENSED STATEMENT
INFORMATION

Condensed Balance Sheet Information
for the Commonwealth's Discretely
Presented Component Units
(Expressed in Thousands)

| | Governmental | Proprietary Funds | | |
|--|--|------------------------------------|---|------------|
| | Bluegrass State Skills Corporation | Kentucky Housing Corporation | Kentucky Infrastructure Authority | Others |
| Assets | | | | |
| Current Assets | \$ 281 | \$ 235,610 | \$ 92,847 | \$ 132,857 |
| Property, Plant and Equipment (net) | 2 | 11,659 | | 165,003 |
| Other Assets | | 920,903 | 335,077 | 683,484 |
| Total Assets | \$ 283 | \$ 1,168,172 | \$ 427,924 | \$ 981,344 |
| Liabilities | | | | |
| Current Liabilities | \$ 449 | \$ 61,316 | \$ 12,686 | \$ 156,056 |
| Capital Lease Obligations | | | | |
| Notes Payable | | 39,260 | 7,300 | |
| Revenue Bonds | | 860,255 | 174,894 | 437,230 |
| Amounts Held in Custody for Others | | | | |
| Deposits and Advance Payments | | | | |
| Deferred Revenue | | | | |
| Other Liabilities | | | | 19,209 |
| Total Liabilities | 449 | 960,831 | 194,880 | 612,495 |
| Fund Equity | | | | |
| Investment in Fixed Assets | 2 | | | |
| Contributed Capital | | | | 104,583 |
| Fund Balance: | | | | |
| Reserved for: | | | | |
| Encumbrances | | | | |
| Capital Outlay | | | | |
| Restricted Gifts, Grants and Contracts | | | | |
| Unreserved: | | | | |
| Designated for Universities and Colleges | | | | |
| Undesignated | (168) | | | |
| Retained Earnings: | | | | |
| Reserved for: | | | | |
| Revenue Bond Retirement | | 169,199 | | 136,833 |
| Unreserved | | 38,142 | 233,044 | 127,433 |
| Total Fund Equity | (166) | 207,341 | 233,044 | 368,849 |
| Total Liabilities and Fund Equity | \$ 283 | \$ 1,168,172 | \$ 427,924 | \$ 981,344 |

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

Universities and College Funds

| University of Kentucky | University of Louisville | Others | Totals |
|------------------------------|--------------------------------|---------------------|---------------------|
| \$ 929,573 | \$ 252,150 | \$ 350,438 | \$ 1,993,756 |
| 1,213,718 | 612,535 | 1,292,870 | 3,295,787 |
| 6,882 | 3,145 | 25,058 | 1,974,549 |
| <u>\$ 2,150,173</u> | <u>\$ 867,830</u> | <u>\$ 1,668,366</u> | <u>\$ 7,264,092</u> |
| | | | |
| \$ 220,065 | \$ 55,804 | \$ 46,279 | \$ 552,655 |
| 4,797 | 6,953 | 45,223 | 56,973 |
| 95 | 3,400 | 3,823 | 53,878 |
| 207,647 | 170,579 | 330,585 | 2,181,190 |
| 435 | | 3,142 | 3,577 |
| 2,648 | 1,269 | 6,266 | 10,183 |
| 11,439 | 12,938 | 10,833 | 35,210 |
| 57,468 | 8,655 | 5,507 | 90,839 |
| <u>504,594</u> | <u>259,598</u> | <u>451,658</u> | <u>2,984,505</u> |
| | | | |
| 978,797 | 433,067 | 823,594 | 2,235,460 |
| | | | 104,583 |
| | | | |
| 1,885 | 10,780 | 5,256 | 17,921 |
| 65,002 | 28,897 | 183,318 | 277,217 |
| 463,739 | 65,298 | 171,263 | 700,300 |
| | | | |
| 136,156 | 70,190 | 33,277 | 239,623 |
| | | | (166) |
| | | | |
| | | | 306,032 |
| | | | 398,619 |
| <u>1,645,579</u> | <u>608,232</u> | <u>1,216,708</u> | <u>4,279,587</u> |
| <u>\$ 2,150,173</u> | <u>\$ 867,830</u> | <u>\$ 1,668,366</u> | <u>\$ 7,264,092</u> |

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

CONDENSED STATEMENT INFORMATION

Condensed Statement of Changes in Retained Earnings Discretely Presented Proprietary Funds (Expressed in Thousands)

| | Kentucky Housing Corporation | Kentucky Infrastructure Authority | Others | Totals |
|-----------------------------------|------------------------------------|---|-------------------|-------------------|
| Operating Revenues | \$ 82,896 | \$ 19,230 | \$ 110,022 | \$ 212,148 |
| Operating Expenses: | | | | |
| Operating and Other Expenses | 69,187 | 13,532 | 145,349 | 228,068 |
| Depreciation & Amortization | 1,534 | 379 | 10,309 | 12,222 |
| Operating Income (Loss) | <u>12,175</u> | <u>5,319</u> | <u>(45,636)</u> | <u>(28,142)</u> |
| Nonoperating Revenues (Expenses) | (475) | 19,652 | 8,862 | 28,039 |
| Transfers: | | | | |
| From Primary Government | | 10,742 | 47,249 | 57,991 |
| From Component Units | | | 3,318 | 3,318 |
| To Primary Government | | | (371) | (371) |
| To Component Units | | | <u>(3,339)</u> | <u>(3,339)</u> |
| Net Income (Loss) | <u>11,700</u> | <u>35,713</u> | <u>10,083</u> | <u>57,496</u> |
| Depreciation on Fixed Assets | | | | |
| Acquired by Capital Grants | | | 5,435 | 5,435 |
| Retained Earnings - July 1, 1997 | <u>195,641</u> | <u>197,331</u> | <u>248,748</u> | <u>641,720</u> |
| Retained Earnings - June 30, 1998 | <u>\$ 207,341</u> | <u>\$ 233,044</u> | <u>\$ 264,266</u> | <u>\$ 704,651</u> |

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

Condensed Statement of Changes in Fund Balances
University and College Funds
(Expressed in Thousands)

| | University of Kentucky | University of Louisville | Others | Totals |
|--|------------------------------|--------------------------------|---------------------|---------------------|
| Total Revenues and Other Additions | \$ 1,042,278 | \$ 307,770 | \$ 599,304 | \$ 1,949,352 |
| Total Expenditures and Other Deductions | 1,167,925 | 432,925 | 848,396 | 2,449,246 |
| Transfers from (to) Primary Government | <u>264,156</u> | <u>144,245</u> | <u>339,278</u> | <u>747,679</u> |
| Net Increase for Year | 138,509 | 19,090 | 90,186 | 247,785 |
| Fund Balance and Other Credits, Beginning, As Restated | <u>1,507,070</u> | <u>589,142</u> | <u>1,126,655</u> | <u>3,222,867</u> |
| Fund Balance and Other Credits, Ending | <u>\$ 1,645,579</u> | <u>\$ 608,232</u> | <u>\$ 1,216,841</u> | <u>\$ 3,470,652</u> |

Condensed Statement of Current Funds Revenues, Expenditures and Other Changes
University and College Funds
(Expressed in Thousands)

| | University of Kentucky | University of Louisville | Others | Totals |
|---|------------------------------|--------------------------------|-----------------|------------------|
| Total Revenues | \$ 567,121 | \$ 231,278 | \$ 438,092 | \$ 1,236,491 |
| Expenditures: | | | | |
| Education and General | 521,064 | 332,720 | 666,373 | 1,520,157 |
| Auxiliary Enterprises and Hospitals | <u>279,284</u> | <u>47,751</u> | <u>61,995</u> | <u>389,030</u> |
| Total Expenditures | 800,348 | 380,471 | 728,368 | 1,909,187 |
| Mandatory Transfers | 27,135 | 15,186 | 43,963 | 86,284 |
| Non-Mandatory Transfers | <u>10,024</u> | <u>13,132</u> | <u>11,780</u> | <u>34,936</u> |
| Total Expenditures and Transfers | 837,507 | 408,789 | 784,111 | 2,030,407 |
| Other Transfers | 275,706 | 154,829 | 347,800 | 778,335 |
| Other Additions (Deductions) | 1,162 | 18,053 | 6,422 | 25,637 |
| Net Increase (Decrease) in Fund Balance | <u>\$ 6,482</u> | <u>\$ (4,629)</u> | <u>\$ 8,203</u> | <u>\$ 10,056</u> |

Note 17

COMMITMENTS AND CONTINGENCIES

Litigation - The Commonwealth, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities or may impair future revenue sources or may require the refund of prior collections. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

Federal Grants - The Commonwealth receives significant financial assistance from the U.S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Commonwealth.

Leases - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Primary Government expenditures for rent under leases for the years ended June 30, 1998 and 1997, amounted to \$44.1 million and \$42.0 million, respectively. The operating leases of the Commonwealth do not contain escalation clauses for rental or expense which would require adjustment to be in compliance with GASB Statement 13.

Sick Leave - It is the policy of the Commonwealth to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability for sick leave at June 30, 1998. The estimated accumulated amount of unused sick leave at that date for the governmental and proprietary funds was \$266,692,288 and \$18,281,898 respectively.

Construction Projects - The Transportation Cabinet, at June 30, 1998, has contractual commitments of approximately

\$734,121,409, for the construction of numerous highway projects. It is anticipated that these projects will be funded with approximately 41% State funds, 44% Federal funds, and the remaining 15% with proceeds from the sale of revenue bonds.

Year 2000 Disclosures - The Commonwealth is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year.

The Commonwealth began its year 2000 compliance process in 1994 with an awareness campaign directed at the agencies. This was followed by a detailed inventory of the mainframe legacy systems. These systems were assessed for compliance and plans for remediation were developed. A software tool that would significantly reduce the time needed to become compliant was purchased, and the remediation process began in early 1996.

In early 1997, an inventory and compliance assessment was begun for internal systems, external systems, infrastructure components, and business facilities. Priorities were established and the most mission critical systems were determined to reside within the mainframe legacy systems. Plans were developed that would bring these systems and components into compliance.

All systems or components, which were identified as mission critical, are in the phase of remediation, testing or have been completed. Projects in the remediation and testing stage have projected completion dates of July 1999.

In an effort to show due diligence, the Commonwealth will have two contracts with outside consultants to test mission critical systems that have already been remediated. One contract will include code evaluation to indicate missed code or irregular date code routines. The other will include third party validation and verification of systems. This will include a thorough test using existing or developed data to prove the systems are accurate and will process into and through the new millennium.

As of June 30, 1998, the Commonwealth has contracted with vendors to provide assistance in addressing year 2000 issues relating to its computer systems and other electronic equipment. The amount of those commitments is \$28.5 million. In addition the legislature has appropriated \$6.7 million in contingency funding for year 2000 conversion.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State of Kentucky is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the State does business will be successful in whole or in part, or that parties with whom the State does business will be year 2000 ready.

COMMONWEALTH OF KENTUCKY
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The Commonwealth designated 95 major systems that needed to be addressed for year 2000 purposes. Of those systems, based on assessments performed by and on behalf of the Commonwealth, 61 systems are considered year 2000 ready. The most critical of the remaining 34 systems are grouped in the following table which reveals the progress toward remediation by each stage.

C=Complete

A=Needs to be Addressed

P=In Process

| | Awareness | Assessment | Remediation | Validation/Testing | Funding Budgeted |
|--|-----------|------------|-------------|--------------------|------------------|
| Sales and Use Tax | C | C | P | P | Yes |
| Business Tax | C | C | P | P | Yes |
| Receivables and Compliance | C | C | P | P | Yes |
| Revenue Collections | C | C | P | P | Yes |
| Domestic Violence | C | C | P | P | Yes |
| Law Information | C | C | C | P | Yes |
| Transportation Licensing & Taxation | C | C | P | P | Yes |
| Financial Systems | C | C | P | P | Yes |
| Workers Comp. Claims | C | C | A | A | Yes |
| UI Employer Accts | C | C | C | P | Yes |
| Payroll and Personnel | C | C | P | P | Yes |
| Welfare Systems | C | C | P | P | Yes |
| Medicaid Management (External System) | C | C | P | P | Yes |
| Local Health (External System) | C | C | P | P | Federal Funds |

Note 18

SUBSEQUENT EVENTS

The debt issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 1998, and prior to December 30, 1998, and reported other subsequent events for the same period, as described below.

The State Property and Buildings Commission approved a Resolution on August 6, 1998, that authorized the Finance and Administration Cabinet to assume all subleases related to outstanding revenue bonds of the State Property and Buildings Commission. As a result, the accounting for capital lease obligations with the Finance and Administration Cabinet will no longer be an obligation of the state supported universities, beginning with the 1998-2000 biennial budget. The appropriations for payment of these bond issues had been made to the Finance and Administration Cabinet and will be paid directly by the Cabinet, and the universities will not be signing sublease agreements for the next biennium. The universities will no longer have capital lease obligations for those project revenue bonds and the Commonwealth will no longer establish receivables for those amounts.

Morehead State University, on August 11, 1998, received notice that Community Trust Bank intends to resign as trustee for the

Housing and Dining System Revenue Bonds. The trust indenture specifies that in the event that the trustee resigns, a temporary successor trustee may be selected by the Board of Regents. That temporary trustee will serve in the trustee capacity until such time as a new trustee is selected by a majority of the bondholders. The Board of Regents appointed the Central Bank and Trust Company, Lexington, Kentucky as the temporary trustee for the University's Housing and Dining System Revenue Bonds until such time as a permanent successor trustee is appointed by a majority of the bondholders.

The Kentucky Asset/Liability Commission issued General Fund Tax and Revenue Anticipation Notes as follows:

\$200,000,000, 1998 Series A, dated July 1, 1998, the proceeds of which will be used by the Commonwealth to discharge expenditure demands on the General Fund for the fiscal year ending June 30, 1999, in anticipation of taxes and revenues to be collected during Fiscal Year 1999, and to pay the costs of issuance. The Notes are due June 25, 1999, and priced to yield 3.57%, and

\$100,200,000, 1998 Series B, dated September 17, 1998, the proceeds of which will be used as described for Series A, and which are due June 25, 1999, and priced to yield 3.33%.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

The Commission also issued General Fund Project Notes as follows:

\$126,500,000, 1998 General Fund Second Series A, dated November 5, 1998, to provide interim financing for certain projects defined in the official statement in anticipation of bonds to be issued by the State Property and Buildings Commission. These Notes are due November 1, 1999, and priced to yield 2.95%, and

\$25,000,000 in additional Project Notes, 1998 General Fund Series, dated December 3, 1998, the proceeds of which will be used the same as described for Second Series A above. Refer to the Notes Payable section of Note 15 to document that this amount falls within both the \$157,000,000 principal amount authorized under indenture and the \$81,784,000 authorized but unissued at June 30, 1998.

The Commission also authorized Project Notes, 1998 Agency Fund Series, in a total amount not to exceed \$110,000,000. The proceeds will be used by state agencies participating in the financing program to (i) provide interim financing in anticipation of Bonds to be issued by the State Property and Buildings Commission, (ii) pay a portion of the interest coming due on the Notes on or before June 30, 2000, and (iii) pay the cost of issuance of the Notes. The Notes may bear interest at the Money Market Rate, the Daily Rate, the Weekly Rate or the Fixed Rate as more fully described in the Official Statement, but in no event shall the interest exceed 12%. Final maturity on the Notes is June 30, 2002. To date, such Notes have been issued as follows:

\$15,160,000, 1998 A, a tax exempt series, to partially fund the expansion of Commonwealth Stadium at the University of Kentucky, and

\$10,100,000, 1998 B, a tax exempt series subject to the alternative

The Kentucky Housing Corporation, on July 1, 1998, and September 1, 1998, the Corporation borrowed \$8,049,000 and \$310,000, respectively, from a bank line of credit. The proceeds of the borrowings were reinvested in short-term federal agency obligations. The purpose of the borrowings is to preserve a tax-exempt bond issuance capacity. The borrowings are expected to be repaid upon the next issuance of Housing Revenue Bonds.

The Corporation also issued \$105,435,000 in Housing Revenue Bonds, dated October 1, 1998, as follows:

\$8,205,000, 1998 Series D, with \$835,000 in serial maturities each January 1, 2000 through 2010, at 3.65% to 4.55% and term bonds due in the amounts of \$1,040,000 on July 1, 2018, at 5.0% and \$6,330,000 on July 1, 2038, at 5.125%,

\$6,290,000, 1998 Series E, having term maturities of \$2,585,000 due July 1, 2017, at 4.75% and \$3,705,000 due July 1, 2030, at 5.0%,

\$64,565,000, 1998 Series F, with \$13,085,000 in serial bonds maturing each January 1, 2000 through 2010, at 3.65% to 4.55% and term bonds of \$2,000,000 due January 1, 2018, at 5.0%; \$12,155,000 due July 1, 2018, at 5.0%; and, \$37,325,000 due July 1, 2030, at 5.0%, and

\$26,375,000, 1998 Series G, all term bonds due July 1, 2019, at 5.55%.

The Kentucky Higher Education Student Loan Corporation, issued \$115,000,000 in Student Loan Revenue Bonds, dated September 18, 1998, to provide funds for the acquisition, origination or refinancing of Student Loans. These Bonds are being issued as Auction Rate Certificates and bear interest as more fully described in the Official Statement. Two Senior Series were sold as follows:

Senior Series 1998 A, due May 1, 2028, and consisting of \$36,400,000, Subseries 1998 A-1 and \$36,400,000, Subseries 1998 A-2, and \$42,200,000, Senior Series 1998 B, which is due May 1, 2028.

The Corporation has also entered into a Forward Financing Agreement Note with the Student Loan Marketing Association (SLMA) on December 30, 1996. This note provided for advances to the Corporation not to exceed an aggregate outstanding total of \$30,000,000. As of June 30, 1998 and 1997, there were no advances outstanding. Effective August 15, 1998, the Corporation terminated the agreement with SLMA.

The Kentucky Infrastructure Authority, on December 2, 1998, redeemed \$5,400,000 of the \$7,300,000 Governmental Agencies Program Revenue Bond Anticipation Notes 1998 Series A, dated June 17, 1998, and disclosed in the Notes Payable section of Note 15. The remaining \$1,900,000 principal balance of the Notes will be refunded by an authority bond issue during the first quarter of calendar year 1999.

Kentucky School Facilities Construction Commission administers State participation in the debt service payments of local public school district revenue bonds issued subsequent to June 30, 1998, and maturing as to principal through 2018 as follows:

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

| School District | Sale Date | Principal at Issue | State Share | Interest Rate |
|---------------------------|-----------|--------------------|-------------|---------------|
| Elizabethown Independent | 07/01/98 | \$ 850,000 | \$ 498,632 | 4.25-4.6% |
| Whitley County | 07/01/98 | 4,420,000 | 2,120,374 | 4.5-4.625% |
| Madison County | 07/08/98 | 3,085,000 | 2,036,654 | 1.0-4.2% |
| Garrard County | 07/10/98 | 340,000 | 340,000 | 4.15-5.1% |
| Russell County | 07/10/98 | 260,000 | 260,000 | 4.15-5.1% |
| Johnson County | 07/14/98 | 1,585,000 | 1,585,000 | 3.7-4.4% |
| Madison County | 07/14/98 | 3,280,000 | 1,596,298 | 4.375-4.5% |
| Hickman County | 07/16/98 | 920,000 | 794,015 | 4.0-4.75% |
| Pulaski County 1998A | 07/16/98 | 6,800,000 | 1,867,348 | 4.5-4.6% |
| Pulaski County 1998B | 07/16/98 | 3,180,000 | 2,788,120 | 1.0-4.2% |
| Mercer County, 1998 A | 07/22/98 | 1,440,000 | 340,354 | 4.7% |
| Mercer County, 1998 B | 07/22/98 | 2,090,000 | 583,361 | 4.0-4.4% |
| Jackson County | 07/23/98 | 885,000 | 526,424 | 3.9-4.4% |
| Middlesboro Independent | 07/28/98 | 1,520,000 | 412,605 | 4.0-4.4% |
| Danville Independent | 07/29/98 | 2,215,000 | 2,192,703 | 3.9-4.7% |
| Mason County | 07/29/98 | 1,870,000 | 1,148,196 | 3.8-4.3% |
| Barren County | 07/30/98 | 5,485,000 | 2,027,891 | 4.25-5.0% |
| Scott County | 07/30/98 | 1,145,000 | 295,327 | 4.05-4.25% |
| Washington County | 08/04/98 | 5,120,000 | 257,745 | 3.7-4.75% |
| Harlan County | 08/10/98 | 62,000 | 62,000 | 4.15-5.1% |
| Menifee County | 08/10/98 | 411,000 | 411,000 | 4.15-5.1% |
| Providence Independent | 08/10/98 | 131,000 | 131,000 | 4.15-5.1% |
| Carroll County | 08/13/98 | 2,140,000 | 804,800 | 3.7-4.3% |
| Fulton County | 08/20/98 | 1,705,000 | 1,258,363 | 3.7-4.3% |
| Fayette County | 08/26/98 | 15,575,000 | 887,191 | 4.375-4.625% |
| Hardin County | 09/02/98 | 15,885,000 | 11,746,253 | 3.5-4.25% |
| Greenup County | 09/10/98 | 1,460,000 | 917,025 | 3.6-4.4% |
| Todd County 1998A | 09/15/98 | 3,975,000 | 736,067 | 4.0-4.4% |
| Todd County 1998B | 09/15/98 | 890,000 | 890,000 | 3.85-4.1% |
| Garrard County | 09/23/98 | 2,760,000 | 880,925 | 3.9-4.0% |
| Logan County | 09/30/98 | 990,000 | 673,317 | 3.7-4.0% |
| Grayson County | 10/07/98 | 1,030,000 | 1,030,000 | NIC 4.27% |
| Clinton County | 10/08/98 | 4,380,000 | 2,871,956 | 3.5-4.1% |
| Monroe County | 10/08/98 | 1,250,000 | 1,250,000 | 3.5-4.2% |
| Anderson County 1998A | 10/13/98 | 1,790,000 | 1,790,000 | 3.5-4.25% |
| Anderson County 1998B | 10/13/98 | 2,250,000 | 1,635,477 | 3.3-4.0% |
| Campbell County | 10/14/98 | 1,150,000 | 1,150,000 | 3.6-4.3% |
| Raceland-Worthington Ind. | 10/21/98 | 1,980,000 | 571,477 | 3.25-4.0% |
| Montgomery County | 10/15/98 | 770,000 | 770,000 | 4.2% |
| Providence Independent | 10/20/98 | 1,050,000 | 452,004 | 3.5-4.0% |
| Lyon County | 10/22/98 | 975,000 | 239,439 | 3.65-4.0% |
| Lincoln County | 10/28/98 | 3,780,000 | 1,221,687 | 3.25-4.0% |
| Rowan County | 10/28/98 | 315,000 | 315,000 | 4.125% |
| Breathitt County | 11/04/98 | 2,520,000 | 1,015,412 | 4.0-4.25% |
| Henry County | 11/05/98 | 1,280,000 | 403,971 | 3.75-4.3% |
| Harrison County | 11/10/98 | 3,165,000 | 792,242 | 3.5-4.2% |
| Fort Thomas Independent | 11/10/98 | 685,000 | 675,235 | 3.6-4.0% |
| Ballard County | 11/12/98 | 3,865,000 | 1,281,105 | 3.25-4.0% |
| Livingston County | 11/12/98 | 2,240,000 | 914,315 | 3.85-4.7% |
| Perry County | 11/17/98 | 8,285,000 | 3,259,768 | 4.150% |
| Marshall County | 11/18/98 | 4,640,000 | 1,292,898 | 3.5-4.1% |
| Pulaski County | 11/18/98 | 9,340,000 | 1,859,863 | 4.0-4.2% |
| Morgan County | 11/19/98 | 1,190,000 | 832,656 | 3.5-4.35% |
| Casey County | 11/24/98 | 1,490,000 | 1,490,000 | 3.8-4.65% |
| Hart County | 11/24/98 | 945,000 | 902,697 | NIC 4.259% |
| Johnson County | 12/01/98 | 3,235,000 | 2,664,225 | 3.4-4.2% |
| Spencer County | 12/01/98 | 9,105,000 | 2,719,364 | NIC 4.6325 |
| McCracken County | 12/02/98 | 3,535,000 | 2,097,829 | 4.0-4.1% |
| Edmonson County | 12/08/98 | 1,655,000 | 1,064,428 | NIC 4.0653% |

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

| School District | Sales Date | Principal at Issue | State Share | Interest Rate |
|-------------------------|------------|-----------------------|-----------------------|---------------|
| Trimble County | 12/08/98 | \$ 1,345,000 | \$ 527,610 | 3.3-3.75% |
| Perry County | 12/09/98 | 3,500,000 | 3,040,321 | 3.5-4.6% |
| Jefferson County | 12/14/98 | 50,050,000 | 14,839,542 | 3.1-4.5% |
| Henderson County | 12/15/98 | 5,000,000 | 649,033 | 3.35-4.1% |
| Harrodsburg Independent | 12/17/98 | 525,000 | 271,132 | 4.300% |
| Covington Independent | 12/22/98 | 495,000 | 278,480 | 4.0-4.2% |
| Menifee County | 01/07/99 | 950,000 | 623,838 | 3.9-4.875% |
| Franklin County | 01/12/99 | 2,845,000 | 2,845,000 | 3.3-4.6% |
| Nicholas County | 01/14/99 | 3,285,000 | 1,184,777 | 3.7-4.75% |
| McLean County | 01/14/98 | 1,485,000 | 1,057,740 | 4.0-4.75% |
| Scott County | 01/21/99 | 6,900,000 | 2,134,098 | 3.6-4.5% |
| Totals | | <u>\$ 246,749,000</u> | <u>\$ 105,083,607</u> | |

Audited financial statements for component units may be requested at the following addresses:

Bluegrass State Skills Corporation
 Capital Plaza Tower
 500 Mero Street
 Frankfort, Kentucky 40601

University of Louisville
 Belknap Campus
 Controller's Office
 Louisville, Kentucky 40292

Kentucky Turnpike Authority
 Room 267, Capitol Annex Building
 Frankfort, Kentucky 40601

Western Kentucky University
 Vice President for Finance and Administration
 1 Big Red Way
 Bowling Green, Kentucky 42101-3576

Kentucky Center for the Arts
 5 Riverfront Plaza
 Louisville, Kentucky 40202-2989

Murray State University
 Financial Management and Planning
 Murray, Kentucky 42071

Kentucky Economic Development Finance Authority
 Capital Plaza Tower
 500 Mero Street
 Frankfort, Kentucky 40601

Kentucky State University
 Office of Administrative Affairs
 East Main Street
 Frankfort, Kentucky 40601

Kentucky Higher Education Student Loan Corporation
 10180 Linn Station Road
 P.O. Box 24266
 Louisville, Kentucky 40224-0266

Kentucky Lottery Corporation
 Two Paragon Centre Suite 400
 6040 Dutchmans Lane
 Louisville, Kentucky 40205-3271

Kentucky Housing Corporation
 1231 Louisville Road
 Frankfort, Kentucky 40601

Kentucky State Fair Board
 Kentucky Fair and Exposition Center
 P.O. Box 37130
 Louisville, Kentucky 40233-7130

Kentucky Retirement Systems
 Perimeter Park West
 1260 Louisville Road
 Frankfort, Kentucky 40601

Kentucky Educational Television
 600 Cooper Drive
 Lexington, Kentucky 40502

Teachers' Retirement System
 479 Versailles Road
 Frankfort, Kentucky 40601

Kentucky Higher Education Assistance Authority
 1050 U.S. 127 South, Suite 102
 Frankfort, Kentucky 40601

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1998

Audited financial statements for component units may be requested at the following addresses:

Kentucky Educational Savings Plan Trust
1050 U.S. 127 South, Suite 102
Frankfort, Kentucky 40601

Kentucky Infrastructure Authority
Suite 261, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Local Correctional Facilities Construction Authority
Suite 261, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System
P.O. Box 791
Frankfort, Kentucky 40602

University of Kentucky
General Accounting
371 Peterson Service Building
Lexington, Kentucky 40506-0005

Eastern Kentucky University
Vice President for Business Affairs
521 Lancaster Avenue
Richmond, Kentucky 40475-3101

Morehead State University
Office of Accounting and Budgetary Control
202 Howell-McDowell Administration Building
Morehead, Kentucky 40351-1689

Northern Kentucky University
Office of Business Affairs
Lucas Administration Center 726
Nunn Drive
Highland Heights, Kentucky 41099-8101

Kentucky Community Technical College System
PO Box 14092
2760 Research Park Dr.
Convention Building
Lexington, Kentucky 40512-4092

**COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP
SCHEDULES AND STATEMENTS**

GENERAL FUND

The **General Fund** accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GENERAL FUND
JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|-------------------------------------|----------------------|
| ASSETS | |
| CASH AND CASH EQUIVALENTS | \$ 283,760 |
| INVESTMENTS, NET OF AMORTIZATION | 398,060 |
| RECEIVABLES, NET | 504,475 |
| INTERFUND RECEIVABLES | 130,287 |
| INVENTORIES | 11,681 |
| TOTAL ASSETS | <u>\$ 1,328,263</u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES: | |
| ACCOUNTS PAYABLE | \$ 217,347 |
| TAX REFUNDS PAYABLE | 164,105 |
| INTERFUND PAYABLES | 46,577 |
| DEFERRED REVENUE | 85,068 |
| TOTAL LIABILITIES | <u>513,097</u> |
| FUND BALANCE: | |
| RESERVED FOR: | |
| STATUTORY OBLIGATIONS | 175,307 |
| BUDGET STABILIZATION | 200,000 |
| INVENTORIES | 11,681 |
| UNRESERVED: | |
| UNDESIGNATED | 428,178 |
| TOTAL FUND BALANCE | <u>815,166</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 1,328,263</u> |

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|--|----------------------|
| REVENUES: | |
| TAXES | \$ 5,719,390 |
| LICENSES, FEES, AND PERMITS | 20,675 |
| INTERGOVERNMENTAL | 7,049 |
| CHARGES FOR SERVICES | 4,015 |
| FINES AND FORFEITS | 43,088 |
| INTEREST AND OTHER INVESTMENT INCOME | 65,443 |
| OTHER REVENUES | 40,571 |
| TOTAL REVENUES | <u>5,900,231</u> |
| EXPENDITURES: | |
| GENERAL GOVERNMENT | 276,741 |
| LEGISLATIVE AND JUDICIAL | 161,561 |
| COMMERCE | 16,956 |
| EDUCATION AND HUMANITIES | 2,613,629 |
| HUMAN RESOURCES | 1,014,263 |
| JUSTICE | 339,878 |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | 54,096 |
| PUBLIC PROTECTION AND REGULATION | 40,605 |
| TRANSPORTATION | 5,075 |
| TOTAL EXPENDITURES | <u>4,522,804</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>1,377,427</u> |
| OTHER FINANCING SOURCES (USES): | |
| OPERATING TRANSFERS IN | 291,239 |
| OPERATING TRANSFERS OUT | (368,752) |
| TRANSFERS TO COMPONENT UNITS | (825,063) |
| CAPITALIZED LEASES | 272 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(902,304)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 475,123 |
| FUND BALANCE AT JULY 1, AS RESTATED | 338,448 |
| INCREASE (DECREASE) IN INVENTORIES | 810 |
| RESIDUAL EQUITY TRANSFER IN (OUT) | 785 |
| FUND BALANCE AT JUNE 30 | <u>\$ 815,166</u> |

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------|------------------|-----------------|
| REVENUES: | | | |
| BUDGETED: | | | |
| TAXES | \$ 5,701,153 | \$ 5,714,603 | \$ 13,450 |
| LICENSES, FEES, AND PERMITS | 21,302 | 20,675 | (627) |
| INTERGOVERNMENTAL | 4,660 | 7,049 | 2,389 |
| CHARGES FOR SERVICES | 2,388 | 3,935 | 1,547 |
| FINES AND FORFEITS | 43,744 | 43,081 | (663) |
| INTEREST AND OTHER INVESTMENT INCOME | 49,523 | 60,019 | 10,496 |
| LOTTERY PROCEEDS | 153,000 | 153,000 | |
| OTHER REVENUES | 12,699 | 2,608 | (10,091) |
| TRANSFERS IN | 12,975 | 10,887 | (2,088) |
| TOTAL BUDGETED REVENUES | <u>6,001,444</u> | <u>6,015,857</u> | <u>14,413</u> |
| NON-BUDGETED: | | | |
| OTHER REVENUES | | 19 | 19 |
| ESCHEAT REVENUE | | 6,817 | 6,817 |
| TRANSFERS IN (INTERFUND) | | 127,530 | 127,530 |
| TOTAL NON-BUDGETED REVENUES | | <u>134,366</u> | <u>134,366</u> |
| TOTAL REVENUES | <u>6,001,444</u> | <u>6,150,223</u> | <u>148,779</u> |
| EXPENDITURES: | | | |
| GENERAL GOVERNMENT: | | | |
| GOVERNOR'S OFFICE | 6,863 | 6,785 | 78 |
| GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT | 2,470 | 2,470 | |
| GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT - PLANNING FUND | 430 | 430 | |
| UNIFIED PROSECUTORIAL SYSTEM - COMMONWEALTH ATTORNEYS | 17,117 | 16,965 | 152 |
| UNIFIED PROSECUTORIAL SYSTEM - COUNTY ATTORNEYS | 15,800 | 15,800 | |
| DEPARTMENT OF AGRICULTURE | 17,321 | 17,159 | 162 |
| OFFICE OF THE ATTORNEY GENERAL | 10,940 | 10,940 | |
| AUDITOR OF PUBLIC ACCOUNTS | 4,572 | 4,572 | |
| REGISTRY OF ELECTION FINANCE | 1,330 | 1,325 | 5 |
| MILITARY AFFAIRS - GENERAL OPERATIONS | 9,217 | 8,825 | 392 |
| MILITARY AFFAIRS - DISASTER AND EMERGENCY SERVICES | 6,746 | 5,810 | 936 |
| LOCAL GOVERNMENT - VARIOUS AREA DEVELOPMENT DISTRICTS | 6,339 | 6,339 | |
| LOCAL GOVERNMENT - ECONOMIC ASSISTANCE FUND | 40,958 | 30,672 | 10,286 |
| LOCAL GOVERNMENT - ECONOMIC DEVELOPMENT FUND | 40,247 | 26,021 | 14,226 |
| SECRETARY OF STATE - GENERAL OPERATIONS | 2,223 | 2,065 | 158 |
| DEPARTMENT OF THE TREASURY | 1,928 | 1,928 | |
| BOARD OF ELECTIONS | 3,446 | 3,375 | 71 |
| PERSONNEL BOARD | 486 | 482 | 4 |
| SCHOOL FACILITIES CONSTRUCTION COMMISSION | 63,755 | 58,865 | 4,890 |
| EXECUTIVE BRANCH ETHICS COMMISSION | 258 | 244 | 14 |
| COMMISSION ON HUMAN RIGHTS | 1,852 | 1,851 | 1 |
| COMMISSION ON WOMEN | 239 | 189 | 50 |
| COUNCIL ON POSTSECONDARY EDUCATION | 26,722 | 26,022 | 700 |
| BUDGET RESERVE TRUST FUND | 200,000 | | 200,000 |

| | Budget | Actual | Variance |
|---|-----------|-----------|----------|
| PERSONNEL CABINET: OFFICE OF THE SECRETARY | 870 | 869 | 1 |
| DEPARTMENT FOR EMPLOYEE RELATIONS | 233 | 233 | |
| DEPARTMENT FOR PERSONNEL ADMINISTRATION | 3,966 | 3,966 | |
| EASTERN KENTUCKY UNIVERSITY | 62,834 | 62,834 | |
| KENTUCKY STATE UNIVERSITY | 19,924 | 19,576 | 348 |
| MOREHEAD STATE UNIVERSITY | 36,823 | 36,823 | |
| MURRAY STATE UNIVERSITY | 43,926 | 42,943 | 983 |
| NORTHERN KENTUCKY UNIVERSITY | 33,256 | 33,244 | 12 |
| UNIVERSITY OF KENTUCKY | 272,623 | 272,393 | 230 |
| KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM | 3,663 | 941 | 2,722 |
| UNIVERSITY OF KENTUCKY COMMUNITY COLLEGE SYSTEM | 95,511 | 95,511 | |
| UNIVERSITY OF LOUISVILLE | 154,214 | 154,017 | 197 |
| WESTERN KENTUCKY UNIVERSITY | 56,614 | 56,547 | 67 |
| REVENUE: OFFICE OF THE SECRETARY | 19,977 | 19,933 | 44 |
| DEPARTMENT OF TAX ADMINISTRATION | 22,140 | 22,022 | 118 |
| DEPARTMENT OF INFORMATION TECHNOLOGY | 2,513 | 2,493 | 20 |
| DEPARTMENT OF PROPERTY VALUATION | 4,087 | 4,020 | 67 |
| DEPARTMENT OF LAW | 8,565 | 8,560 | 5 |
| OFFICE OF PROPERTY VALUATION ADMINISTRATORS | 20,383 | 20,349 | 34 |
| ACCOUNTING | | | |
| FINANCE AND ADMINISTRATION - OFFICE OF THE SECRETARY | 39,080 | 38,971 | 109 |
| KENTUCKY VETERANS CENTER | 5,940 | 5,935 | 5 |
| KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY | 30,227 | 28,794 | 1,433 |
| DEPARTMENT FOR ADMINISTRATION | 3,814 | 3,814 | |
| FACILITIES MANAGEMENT - 1997 FLOOD HOUSING DISASTER AID | 1,023 | 1,023 | |
| DEPARTMENT FOR FACILITIES MANAGEMENT | 6,580 | 6,580 | |
| SPECIAL ACCOUNTS - CAPITAL CONSTRUCTION | 1,000 | 500 | 500 |
| COUNTY COSTS | 14,986 | 14,429 | 557 |
| ACCESS TO JUSTICE | 1,200 | 1,097 | 103 |
| APPROPRIATIONS NOT OTHERWISE CLASSIFIED: | | | |
| BOARD OF CLAIMS AWARDS | 600 | 466 | 134 |
| GUARDIAN AD LITEM | 2,000 | 1,798 | 202 |
| COURT ORDERED TAX REFUNDS | 245,858 | 156,731 | 89,127 |
| PRIOR YEAR CLAIMS | 1,274 | 1,274 | |
| UNREDEEMED CHECKS REFUNDED | 411 | 410 | 1 |
| INVOLUNTARY COMMITMENTS | 60 | 47 | 13 |
| BLANKET EMPLOYEE BONDS | 200 | 157 | 43 |
| FRANKFORT IN LIEU OF TAXES | 195 | 195 | |
| FRANKFORT CEMETERY | 3 | 3 | |
| POLICE AND FIREMEN LIFE INSURANCE | 300 | 150 | 150 |
| MASTER COMMISSIONER EMPLOYERS RETIREMENT | 240 | 165 | 75 |
| MASTER COMMISSIONER SOCIAL SECURITY | 149 | 149 | |
| WORKERS' COMPENSATION | 400 | 390 | 10 |
| ATTORNEY GENERAL EXPENSE | 165 | 163 | 2 |
| MEDICAL MALPRACTICE LIABILITY INSURANCE REIMBURSEMENTS | 58 | 13 | 45 |
| TOTAL GENERAL GOVERNMENT | 1,699,144 | 1,369,662 | 329,482 |
| LEGISLATIVE AND JUDICIAL: | | | |
| GENERAL ASSEMBLY: | | | |
| REGULAR SESSIONS | 21,205 | 10,548 | 10,657 |
| KENTUCKY LEGISLATIVE ETHICS COMMISSION | 615 | 376 | 239 |
| LONG TERM POLICY RESEARCH CENTER | 386 | 162 | 224 |

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Budget | Actual | Variance |
|---|------------------|------------------|---------------|
| LEGISLATIVE RESEARCH COMMISSION: | | | |
| ADMINISTRATIVE | 26,134 | 22,671 | 3,463 |
| EDUCATIONAL PLANNING COMMISSION | 200 | | 200 |
| JUDICIAL RETIREMENT SYSTEM | 5,645 | 5,645 | |
| COURT OF JUSTICE - CASE MANAGEMENT SYSTEM | 860 | 860 | |
| COURT OF JUSTICE - OPERATION AND ADMINISTRATION | 108,552 | 108,552 | |
| COURT OF JUSTICE - LOCAL FACILITY SUPPORT | 23,259 | 17,410 | 5,849 |
| TOTAL LEGISLATIVE AND JUDICIAL | <u>186,856</u> | <u>166,224</u> | <u>20,632</u> |
| COMMERCE: | | | |
| ECONOMIC DEVELOPMENT: | | | |
| OFFICE OF THE SECRETARY | 1,707 | 1,702 | 5 |
| ADMINISTRATION AND SUPPORT | 1,760 | 1,760 | |
| JOB DEVELOPMENT | 2,051 | 1,987 | 64 |
| FINANCIAL INCENTIVES | 65,826 | 56,044 | 9,782 |
| COMMUNITY DEVELOPMENT | 3,324 | 3,260 | 64 |
| TOURISM - OFFICE OF THE SECRETARY | 1,289 | 1,238 | 51 |
| BREAKS INTERSTATE PARK | 200 | 200 | |
| DEPARTMENT OF TRAVEL DEVELOPMENT | 6,388 | 6,224 | 164 |
| KENTUCKY STATE FAIR BOARD | 11,576 | 11,576 | |
| KENTUCKY HORSE PARK | 2,922 | 2,922 | |
| DEPARTMENT OF PARKS | 33,322 | 33,289 | 33 |
| TOTAL COMMERCE | <u>130,365</u> | <u>120,202</u> | <u>10,163</u> |
| EDUCATION AND HUMANITIES: | | | |
| OFFICE OF THE SECRETARY | 1,828 | 1,828 | |
| COMMISSION ON DEAF AND HARD OF HEARING | 477 | 477 | |
| KENTUCKY HERITAGE COUNCIL | 709 | 709 | |
| KENTUCKY ARTS COUNCIL | 3,980 | 3,970 | 10 |
| EDUCATION: | | | |
| SUPPORT EDUCATION EXCELLENCE IN KY (SEEK) | 2,029,385 | 2,029,385 | |
| EXECUTIVE POLICY AND MANAGEMENT | 3,242 | 3,242 | |
| MANAGEMENT SUPPORT SERVICES | 281,996 | 278,145 | 3,851 |
| LEARNING RESULTS SERVICES | 31,219 | 31,219 | |
| LEARNING SUPPORT SERVICES | 125,124 | 125,124 | |
| KENTUCKY EDUCATION TELEVISION | 16,567 | 16,567 | |
| KENTUCKY HISTORICAL SOCIETY | 4,856 | 4,856 | |
| KENTUCKY CENTER FOR THE ARTS | 3,135 | 3,135 | |
| LIBRARIES AND ARCHIVES - DIRECT LOCAL AID | 5,540 | 5,540 | |
| LIBRARIES AND ARCHIVES - GENERAL OPERATIONS | 7,705 | 7,648 | 57 |
| TEACHERS' RETIREMENT SYSTEM | 66,196 | 66,196 | |
| WORKFORCE DEVELOPMENT - OFFICE OF THE SECRETARY: | | | |
| GENERAL ADMINISTRATION AND PROGRAM SUPPORT | 7,479 | 7,479 | |
| TEACHER RETIREMENT EMPLOYER CONTRIBUTION MATCH | 9,266 | 9,206 | 60 |
| WORKFORCE DEVELOPMENT: | | | |
| DEPARTMENT FOR THE BLIND | 1,792 | 1,792 | |
| DEPARTMENT OF EMPLOYMENT SERVICES | 583 | 583 | |
| BOARD FOR ADULT AND TECHNICAL EDUCATION | 34 | 34 | |
| DEPARTMENT FOR TECHNICAL EDUCATION | 69,451 | 69,451 | |
| DEPARTMENT FOR ADULT EDUCATION & LITERACY | 12,052 | 11,064 | 988 |
| VOCATIONAL REHABILITATION | 9,170 | 9,170 | |
| TOTAL EDUCATION AND HUMANITIES | <u>2,691,786</u> | <u>2,686,820</u> | <u>4,966</u> |
| HUMAN RESOURCES: | | | |
| CABINET FOR FAMILIES AND CHILDREN: | | | |
| ADMINISTRATIVE SERVICES | 13,162 | 13,162 | |
| DEPARTMENT FOR SOCIAL INSURANCE | 54,448 | 54,448 | |
| TRANSITIONAL SUPPORT BENEFITS | 91,751 | 67,449 | 24,302 |
| DEPARTMENT FOR SOCIAL SERVICES | 127,197 | 127,197 | |

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|-----------------|
| OFFICE OF FAMILY RESOURCES AND YOUTH SERVICES | | | |
| CENTERS | 39,551 | 39,551 | |
| CABINET FOR HEALTH SERVICES | | | |
| ADMINISTRATIVE SUPPORT | 12,576 | 12,576 | |
| DEPARTMENT OF PUBLIC HEALTH | 50,421 | 50,421 | |
| DEPARTMENT FOR MENTAL HEALTH AND MENTAL | | | |
| RETARDATION | 120,139 | 120,139 | |
| DEPARTMENT FOR MEDICAID SERVICES | 8,061 | 8,061 | |
| MEDICAID SERVICES BENEFITS | 620,739 | 620,739 | |
| OFFICE OF CERTIFICATE OF NEED | 325 | 325 | |
| COMMISSION FOR CHILDREN WITH SPECIAL HEALTH | | | |
| CARE NEEDS | 3,970 | 3,970 | |
| TOTAL HUMAN RESOURCES | <u>1,142,340</u> | <u>1,118,038</u> | <u>24,302</u> |
| JUSTICE: | | | |
| JUSTICE - ADMINISTRATION | 5,136 | 5,136 | |
| DEPARTMENT OF STATE POLICE | 56,479 | 56,479 | |
| DEPARTMENT OF JUVENILE JUSTICE | 48,148 | 48,148 | |
| DEPARTMENT OF CORRECTIONS: | | | |
| MANAGEMENT | 26,558 | 26,557 | 1 |
| ADULT INSTITUTIONS | 152,852 | 152,851 | 1 |
| LOCAL JAIL ALLOTMENT | 14,944 | 14,514 | 430 |
| COMMUNITY SERVICES AND LOCAL FACILITIES | 56,666 | 56,665 | 1 |
| TOTAL JUSTICE | <u>360,783</u> | <u>360,350</u> | <u>433</u> |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION: | | | |
| OFFICE OF THE SECRETARY | 8,067 | 8,067 | |
| KENTUCKY RIVER AUTHORITY | 279 | 278 | 1 |
| ENVIRONMENTAL QUALITY COMMISSION | 235 | 235 | |
| KENTUCKY NATURE PRESERVES COMMISSION | 632 | 632 | |
| DEPARTMENT FOR ENVIRONMENTAL PROTECTION | 21,497 | 21,497 | |
| DEPARTMENT FOR NATURAL RESOURCES | 11,490 | 11,490 | |
| DEPARTMENT FOR SURFACE MINING RECLAMATION | | | |
| AND ENFORCEMENT | 10,056 | 10,056 | |
| TOTAL NATURAL RESOURCES AND ENVIRONMENTAL | | | |
| PROTECTION | <u>52,256</u> | <u>52,255</u> | <u>1</u> |
| PUBLIC PROTECTION AND REGULATION: | | | |
| OFFICE OF THE SECRETARY | 335 | 335 | |
| BOARD OF CLAIMS/CRIME VICTIMS COMPENSATION BOARD | 474 | 469 | 5 |
| BOARD OF TAX APPEALS | 541 | 427 | 114 |
| KENTUCKY RACING COMMISSION | 1,244 | 1,244 | |
| PUBLIC SERVICE COMMISSION | 7,684 | 7,236 | 448 |
| DEPARTMENT FOR PUBLIC ADVOCACY | 13,639 | 13,635 | 4 |
| DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL | 2,158 | 2,158 | |
| DEPARTMENT OF HOUSING, BUILDING, AND CONSTRUCTION | 3,446 | 3,446 | |
| DEPARTMENT OF INSURANCE | 10,000 | 10,000 | |
| DEPARTMENT FOR MINES AND MINERALS | 9,784 | 9,784 | |
| LABOR - OFFICE OF THE SECRETARY | 503 | 503 | |
| DEPARTMENT OF WORKPLACE STANDARDS | 1,730 | 1,684 | 46 |
| WORKERS COMPENSATION FUNDING COMMISSION | 19,000 | 19,000 | |
| TOTAL PUBLIC PROTECTION AND REGULATION | <u>70,538</u> | <u>69,921</u> | <u>617</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-------------------|-------------------|-------------------|
| TRANSPORTATION: | | | |
| AIR | 5,173 | 2,567 | 2,606 |
| RAIL | 67 | 66 | 1 |
| PUBLIC | <u>4,587</u> | <u>3,038</u> | <u>1,549</u> |
| TOTAL TRANSPORTATION | <u>9,827</u> | <u>5,671</u> | <u>4,156</u> |
| TOTAL EXPENDITURES | <u>6,343,895</u> | <u>5,949,143</u> | <u>394,752</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (342,451) | 201,080 | 543,531 |
| FUND BALANCE AT JULY 1 | 538,075 | 538,075 | |
| NON-BUDGETED ITEMS | | (8,617) | (8,617) |
| RESIDUAL EQUITY TRANSFERS | | 785 | 785 |
| FUND BALANCE AT JUNE 30 | <u>\$ 195,624</u> | <u>\$ 731,323</u> | <u>\$ 535,699</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|--------------------------------------|----------------------|
| REVENUES BY SOURCE | |
| TAXES: | |
| SALES AND GROSS RECEIPTS | \$ 2,166,786 |
| INCOME: | |
| INDIVIDUAL | 2,390,823 |
| CORPORATIONS | 338,354 |
| PROPERTY | 405,528 |
| COAL SEVERANCE | 187,126 |
| LICENSES AND PRIVILEGES | 121,907 |
| INHERITANCE AND ESTATE | 105,550 |
| MISCELLANEOUS | <u>3,316</u> |
| TOTAL TAXES | 5,719,390 |
| LICENSES, FEES, AND PERMITS | 20,675 |
| INTERGOVERNMENTAL | 7,049 |
| CHARGES FOR SERVICES | 4,015 |
| FINES AND FORFEITS | 43,088 |
| INTEREST AND OTHER INVESTMENT INCOME | 65,443 |
| OTHER REVENUES | <u>40,571</u> |
| TOTAL REVENUES BY SOURCE | <u>\$ 5,900,231</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed In Thousands)

| | <u>June 30, 1998</u> |
|--|----------------------|
| GENERAL GOVERNMENT: | |
| CABINET FOR GENERAL GOVERNMENT: | |
| PERSONAL SERVICES | \$ 84,066 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 9,533 |
| COMMODITIES AND SUPPLIES | 5,125 |
| GRANTS AND SUBSIDIES | 48,677 |
| CAPITAL OUTLAY | 394 |
| TRAVEL | 1,522 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 1,553 |
| TOTAL CABINET FOR GENERAL GOVERNMENT | <u>150,870</u> |
| FINANCE AND ADMINISTRATION CABINET: | |
| PERSONAL SERVICES | 21,064 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 2,541 |
| COMMODITIES AND SUPPLIES | 17,278 |
| GRANTS AND SUBSIDIES | 1,225 |
| CAPITAL OUTLAY | 334 |
| TRAVEL | 208 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 7,463 |
| REISSUE UNREDEEMED TREASURY CHECKS | 410 |
| TOTAL FINANCE AND ADMINISTRATION CABINET | <u>50,523</u> |
| REVENUE CABINET: | |
| PERSONAL SERVICES | 58,633 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 15,762 |
| COMMODITIES AND SUPPLIES | 1,887 |
| CAPITAL OUTLAY | 154 |
| TRAVEL | 1,138 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | (7,339) |
| TOTAL REVENUE CABINET | <u>70,235</u> |
| PERSONNEL CABINET: | |
| PERSONAL SERVICES | 3,817 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 1,080 |
| COMMODITIES AND SUPPLIES | 173 |
| CAPITAL OUTLAY | 6 |
| TRAVEL | 14 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 23 |
| TOTAL PERSONNEL CABINET | <u>5,113</u> |
| TOTAL GENERAL GOVERNMENT | <u>276,741</u> |
| LEGISLATIVE AND JUDICIAL: | |
| PERSONAL SERVICES | 121,615 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 25,737 |
| COMMODITIES AND SUPPLIES | 10,378 |
| CAPITAL OUTLAY | 1,275 |
| TRAVEL | 2,556 |
| TOTAL LEGISLATIVE AND JUDICIAL | <u>161,561</u> |
| COMMERCE: | |
| ECONOMIC DEVELOPMENT CABINET: | |
| PERSONAL SERVICES | 5,673 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 807 |
| COMMODITIES AND SUPPLIES | 382 |
| GRANTS AND SUBSIDIES | 1,808 |
| CAPITAL OUTLAY | 1 |
| TRAVEL | 211 |
| TOTAL ECONOMIC DEVELOPMENT CABINET | <u>8,882</u> |

| | <u>June 30, 1998</u> |
|---|----------------------|
| TOURISM CABINET: | |
| PERSONAL SERVICES | 4,830 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 1,106 |
| COMMODITIES AND SUPPLIES | 453 |
| GRANTS AND SUBSIDIES | 1,265 |
| CAPITAL OUTLAY | 31 |
| TRAVEL | 124 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 265 |
| TOTAL TOURISM CABINET | <u>8,074</u> |
| TOTAL COMMERCE | <u>16,956</u> |
| EDUCATION AND HUMANITIES: | |
| EDUCATION AND HUMANITIES CABINET: | |
| PERSONAL SERVICES | 52,934 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 5,864 |
| COMMODITIES AND SUPPLIES | 2,224 |
| GRANTS AND SUBSIDIES | 2,446,857 |
| CAPITAL OUTLAY | 483 |
| TRAVEL | 1,740 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 9 |
| TOTAL EDUCATION AND HUMANITIES CABINET | <u>2,510,111</u> |
| WORKFORCE DEVELOPMENT CABINET: | |
| PERSONAL SERVICES | 70,220 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 9,033 |
| COMMODITIES AND SUPPLIES | 7,120 |
| GRANTS AND SUBSIDIES | 15,038 |
| CAPITAL OUTLAY | 1,136 |
| TRAVEL | 900 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 71 |
| TOTAL WORKFORCE DEVELOPMENT CABINET | <u>103,518</u> |
| TOTAL EDUCATION AND HUMANITIES | <u>2,613,629</u> |
| HUMAN RESOURCES: | |
| CABINET FOR FAMILIES AND CHILDREN: | |
| PERSONAL SERVICES | 83,497 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 13,245 |
| COMMODITIES AND SUPPLIES | 230 |
| GRANTS AND SUBSIDIES | 198,874 |
| CAPITAL OUTLAY | 68 |
| TRAVEL | 3,556 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 307 |
| TOTAL CABINET FOR FAMILIES AND CHILDREN | <u>299,777</u> |
| HEALTH SERVICES CABINET: | |
| PERSONAL SERVICES | 67,898 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 3,351 |
| COMMODITIES AND SUPPLIES | 5,092 |
| GRANTS AND SUBSIDIES | 632,776 |
| CAPITAL OUTLAY | 145 |
| TRAVEL | 564 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 4,660 |
| TOTAL CABINET FOR HEALTH SERVICES | <u>714,486</u> |
| TOTAL HUMAN RESOURCES | <u>1,014,263</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|--|----------------------|
| JUSTICE: | |
| PERSONAL SERVICES | 180,532 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 22,481 |
| COMMODITIES AND SUPPLIES | 19,903 |
| GRANTS AND SUBSIDIES | 107,962 |
| CAPITAL OUTLAY | 6,856 |
| TRAVEL | 1,944 |
| DEBT SERVICE | 206 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | (6) |
| TOTAL JUSTICE | <u>339,878</u> |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION: | |
| PERSONAL SERVICES | 40,657 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 4,966 |
| COMMODITIES AND SUPPLIES | 2,687 |
| GRANTS AND SUBSIDIES | 2,910 |
| CAPITAL OUTLAY | 759 |
| TRAVEL | 381 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 1,736 |
| TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | <u>54,096</u> |
| PUBLIC PROTECTION AND REGULATION: | |
| PUBLIC PROTECTION AND REGULATION CABINET: | |
| PERSONAL SERVICES | 28,754 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 2,821 |
| COMMODITIES AND SUPPLIES | 1,079 |
| GRANTS AND SUBSIDIES | 5,180 |
| CAPITAL OUTLAY | 48 |
| TRAVEL | 509 |
| JUDGEMENTS AND CONTINGENT LIABILITIES | 5 |
| TOTAL PUBLIC PROTECTION AND REGULATION CABINET | <u>38,396</u> |
| LABOR CABINET: | |
| PERSONAL SERVICES | 1,735 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 112 |
| COMMODITIES AND SUPPLIES | 139 |
| GRANTS AND SUBSIDIES | 108 |
| TRAVEL | 115 |
| TOTAL LABOR CABINET | <u>2,209</u> |
| TOTAL PUBLIC PROTECTION AND REGULATION | <u>40,605</u> |
| TRANSPORTATION : | |
| PERSONAL SERVICES | 1,068 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 61 |
| COMMODITIES AND SUPPLIES | 55 |
| GRANTS AND SUBSIDIES | 3,860 |
| CAPITAL OUTLAY | 31 |
| TOTAL TRANSPORTATION | <u>5,075</u> |
| TOTAL EXPENDITURES | <u>\$ 4,522,804</u> |



SPECIAL REVENUE FUNDS

The **Special Revenue Funds** account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

Transportation Fund - accounts for General Fund transfers, agency revenue, federal revenue, and related expenditures of the Transportation Cabinet including the constitutional Road Fund.

Federal Fund - accounts for monies received from the Federal Government.

Agency Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity and usually appropriated by the General Assembly.

Other Special Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity, but not usually appropriated by the General Assembly.

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1998**

(Expressed in Thousands)

| | <u>Transportation</u> | <u>Federal</u> | <u>Agency Revenue</u> | <u>Other Special Revenue</u> | <u>Totals June 30, 1998</u> |
|--|-----------------------|-------------------|---------------------------|--------------------------------------|---------------------------------|
| ASSETS | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 60,985 | \$ 174 | \$ 83,610 | \$ 37,337 | \$ 182,106 |
| RESTRICTED CASH | 998 | | 6,891 | | 7,889 |
| INVESTMENTS, NET OF AMORTIZATION | 581,536 | | 119,315 | 351,882 | 1,052,733 |
| RECEIVABLES, NET | 99,876 | 569,994 | 36,549 | 37,219 | 743,638 |
| INTERFUND RECEIVABLES | 5,418 | 7,917 | 72,488 | 6,482 | 92,305 |
| INVENTORIES | 27,450 | 1,540 | 2,167 | 53 | 31,210 |
| PREPAID EXPENSES | | | 16 | | 16 |
| RESTRICTED ASSETS | | 79,738 | | | 79,738 |
| TOTAL ASSETS | <u>\$ 776,263</u> | <u>\$ 659,363</u> | <u>\$ 321,036</u> | <u>\$ 432,973</u> | <u>\$ 2,189,635</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| ACCOUNTS PAYABLE | \$ 71,070 | \$ 389,351 | \$ 145,099 | \$ 1,253 | \$ 606,773 |
| INTERFUND PAYABLES | 3,960 | 119,417 | 52,133 | 10,179 | 185,689 |
| DEFERRED REVENUE | 17,979 | 154,536 | 16,642 | 12,369 | 201,526 |
| TOTAL LIABILITIES | <u>93,009</u> | <u>663,304</u> | <u>213,874</u> | <u>23,801</u> | <u>993,988</u> |
| FUND BALANCE: | | | | | |
| RESERVED FOR: | | | | | |
| ENCUMBRANCES | 275,781 | | | | 275,781 |
| STATUTORY OBLIGATIONS | 41,452 | | | 2,090 | 43,542 |
| LOANS | | | 8,173 | 810 | 8,983 |
| INVENTORIES | 27,450 | 1,540 | 2,167 | 53 | 31,210 |
| DEPOSIT WITH FISCAL AGENTS | 189 | | 6,891 | | 7,080 |
| COMPENSATING BALANCE WITH DEPOSITORIES | 998 | | | | 998 |
| REVENUE BOND RETIREMENT | | | | 1,000 | 1,000 |
| UNRESERVED: | | | | | |
| DESIGNATED FOR HIGHWAY CONSTRUCTION | 318,393 | | | | 318,393 |
| UNDESIGNATED (NOTE 3) | 18,991 | (5,481) | 89,931 | 405,219 | 508,660 |
| TOTAL FUND BALANCES | <u>683,254</u> | <u>(3,941)</u> | <u>107,162</u> | <u>409,172</u> | <u>1,195,647</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 776,263</u> | <u>\$ 659,363</u> | <u>\$ 321,036</u> | <u>\$ 432,973</u> | <u>\$ 2,189,635</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>Transportation</u> | <u>Federal</u> | <u>Agency Revenue</u> | <u>Other Special Revenue</u> | <u>Totals June 30, 1998</u> |
|---|-----------------------|-------------------|---------------------------|--------------------------------------|---------------------------------|
| REVENUES: | | | | | |
| TAXES | \$ 899,796 | \$ | \$ 203,356 | \$ 49,306 | \$ 1,152,458 |
| LICENSES, FEES AND PERMITS | 97,221 | 1 | 51,959 | 598 | 149,779 |
| INTERGOVERNMENTAL | 398 | 3,776,833 | 24,650 | 456 | 3,802,337 |
| CHARGES FOR SERVICES | 17,209 | (215) | 241,074 | 19,335 | 277,403 |
| FINES AND FORFEITS | 33 | 3 | 2,479 | 1,662 | 4,177 |
| INTEREST AND OTHER INVESTMENT INCOME | 40,074 | 239 | 5,064 | 22,640 | 68,017 |
| OTHER REVENUES | 1,313 | 62,073 | 63,364 | 48,681 | 175,431 |
| TOTAL REVENUES | <u>1,056,044</u> | <u>3,838,934</u> | <u>591,946</u> | <u>142,678</u> | <u>5,629,602</u> |
| EXPENDITURES: | | | | | |
| GENERAL GOVERNMENT | | 86,010 | 219,669 | 70,560 | 376,239 |
| LEGISLATIVE AND JUDICIAL | | 740 | 3,239 | 105 | 4,084 |
| COMMERCE | | 8,210 | 20,669 | 118 | 28,997 |
| EDUCATION AND HUMANITIES | | 518,497 | 55,330 | 256 | 574,083 |
| HUMAN RESOURCES | | 2,769,429 | 469,100 | 562 | 3,239,091 |
| JUSTICE | | 28,851 | 33,420 | | 62,271 |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | | 40,735 | 17,877 | 215 | 58,827 |
| PUBLIC PROTECTION AND REGULATION | | 4,765 | 70,109 | | 74,874 |
| TRANSPORTATION | 772,885 | 335,005 | 22,137 | | 1,130,027 |
| TOTAL EXPENDITURES | <u>772,885</u> | <u>3,792,242</u> | <u>911,550</u> | <u>71,816</u> | <u>5,548,493</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>283,159</u> | <u>46,692</u> | <u>(319,604)</u> | <u>70,862</u> | <u>81,109</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| OPERATING TRANSFERS IN | 142 | 2,724 | 278,888 | 350,221 | 631,975 |
| OPERATING TRANSFERS OUT | (160,686) | (20,794) | (214,693) | (402,372) | (798,545) |
| PROCEEDS FROM SALE OF BONDS | | | 163,605 | | 163,605 |
| CAPITALIZED LEASES | | | 275 | 23 | 298 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(160,544)</u> | <u>(18,070)</u> | <u>228,075</u> | <u>(52,128)</u> | <u>(2,667)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 122,615 | 28,622 | (91,529) | 18,734 | 78,442 |
| FUND BALANCES AT JULY 1, AS RESTATED | 562,742 | (33,487) | 198,931 | 390,438 | 1,118,624 |
| INCREASE (DECREASE) IN INVENTORIES | (2,103) | 924 | (240) | | (1,419) |
| RESIDUAL EQUITY TRANSFER IN (OUT) | | | | | 0 |
| FUND BALANCES AT JUNE 30 | <u>\$ 683,254</u> | <u>\$ (3,941)</u> | <u>\$ 107,162</u> | <u>\$ 409,172</u> | <u>\$ 1,195,647</u> |

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|---|----------------------|
| REVENUES: | |
| TAXES | \$ 899,796 |
| LICENSES, FEES AND PERMITS | 97,221 |
| INTERGOVERNMENTAL | 398 |
| CHARGES FOR SERVICES | 17,209 |
| FINES AND FORFEITS | 33 |
| INTEREST AND OTHER INVESTMENT INCOME | 40,074 |
| OTHER REVENUES | 1,313 |
| TOTAL REVENUES | <u>1,056,044</u> |
| EXPENDITURES: | |
| TRANSPORTATION: | |
| GENERAL ADMINISTRATION AND SUPPORT | 34,676 |
| MOTOR VEHICLE REGULATION | 32,184 |
| JUSTICE - STATE POLICE | 40,173 |
| HIGHWAYS | 664,113 |
| OTHER | 1,739 |
| TOTAL EXPENDITURES | <u>772,885</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>283,159</u> |
| OTHER FINANCING SOURCES (USES): | |
| OPERATING TRANSFERS IN | 142 |
| OPERATING TRANSFERS OUT | (160,686) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(160,544)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 122,615 |
| FUND BALANCE AT JULY 1, AS RESTATED | 562,742 |
| INCREASE (DECREASE) IN INVENTORIES | (2,103) |
| FUND BALANCE AT JUNE 30 | <u>\$ 683,254</u> |

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Transportation | | | Federal | | |
|--------------------------------------|----------------|------------|----------|---------|-----------|----------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| REVENUES: | | | | | | |
| BUDGETED: | | | | | | |
| TAXES | \$ 846,925 | \$ 849,197 | \$ 2,272 | \$ | \$ | \$ |
| LICENSES, FEES, AND PERMITS | 96,637 | 98,206 | 1,569 | | | |
| CHARGES FOR SERVICES | 20,240 | 20,625 | 385 | | | |
| FINES AND FORFEITS | 40 | 32 | (8) | | | |
| INTEREST AND OTHER INVESTMENT INCOME | 36,500 | 41,951 | 5,451 | | | |
| OTHER REVENUES | 2,400 | 1,055 | (1,345) | | | |
| TOTAL BUDGETED REVENUES | 1,002,742 | 1,011,066 | 8,324 | | | |
| NON-BUDGETED: | | | | | | |
| TAXES | | | | | | |
| LICENSES, FEES, AND PERMITS | | | | | 1 | |
| INTERGOVERNMENTAL | | 434 | 434 | | 3,401,544 | |
| CHARGES FOR SERVICES | | | | | (167) | |
| FINES AND FORFEITS | | | | | 8 | |
| INTEREST AND OTHER INVESTMENT INCOME | | | | | 243 | |
| EMPLOYER CONTRIBUTIONS | | | | | | |
| OTHER REVENUES | | 290 | 290 | | 61,035 | |
| TRANSFERS IN (INTERFUND) | | 142 | 142 | | 2,724 | |
| TRANSFERS IN (INTRAFUND) | | 7 | 7 | | 6,646 | |
| TOTAL NON-BUDGETED REVENUE | | 873 | 873 | | 3,472,034 | |
| TOTAL REVENUES | 1,002,742 | 1,011,939 | 9,197 | | 3,472,034 | |
| EXPENDITURES: | | | | | | |
| GENERAL GOVERNMENT: | | | | | | |
| GOVERNOR'S OFFICE | | | | | | |
| CAMPBELL COUNTY FEES | | | | | | |
| DAVIESS COUNTY FEES | | | | | | |
| FAYETTE COUNTY FEES | | | | | | |
| HARDIN COUNTY FEES | | | | | | |
| JEFFERSON COUNTY FEES | | | | | | |
| KENTON COUNTY FEES | | | | | | |
| PIKE COUNTY FEES | | | | | | |
| WARREN COUNTY FEES | | | | | | |
| UNIFIED PROSECUTORIAL SYSTEM: | | | | | | |
| COMMONWEALTH ATTORNEYS | | | | 692 | 633 | 59 |
| COUNTY ATTORNEYS | | | | 165 | 92 | 73 |
| DEPARTMENT OF AGRICULTURE | | | | 3,097 | 2,153 | 944 |
| OFFICE OF THE ATTORNEY GENERAL | | | | 1,790 | 1,674 | 116 |
| AUDITOR OF PUBLIC ACCOUNTS | | | | | | |
| MILITARY AFFAIRS: | | | | | | |
| GENERAL OPERATIONS | | | | 35,147 | 27,230 | 7,917 |
| KENTUCKY RETIREMENT SYSTEMS | | | | | | |
| LOCAL GOVERNMENT - | | | | | | |
| VARIOUS AREA DEVELOPMENT DISTRICTS | | | | 43,137 | 42,645 | 492 |
| SECRETARY OF STATE | | | | | | |
| DEPARTMENT OF THE TREASURY | | | | | | |
| BOARD OF: | | | | | | |
| ACCOUNTANCY | | | | | | |
| ALCOHOL AND DRUG COUNSELORS | | | | | | |
| AUCTIONEERS | | | | | | |
| BARBERING | | | | | | |
| CHIROPRACTIC EXAMINERS | | | | | | |
| CERTIFICATION FOR PROF. COUNSELORS | | | | | | |
| DENTISTRY | | | | | | |
| DIETITIANS AND NUTRITIONISTS | | | | | | |
| ELECTIONS | | | | | | |
| EMBALMERS AND FUNERAL HOME DIRECTORS | | | | | | |
| EXAMINERS AND REGISTRATION OF | | | | | | |
| ARCHITECTS | | | | | | |
| EXAMINERS AND REGISTRATION OF | | | | | | |
| LANDSCAPE ARCHITECTS | | | | | | |
| EXAMINERS OF PSYCHOLOGISTS | | | | | | |

| Agency Revenue | | | Totals | | |
|----------------|-----------|----------|------------|------------|----------|
| Budget | Actual | Variance | Budget | Actual | Variance |
| \$ | \$ | \$ | \$ 846,925 | \$ 849,197 | \$ 2,272 |
| | | | 96,637 | 98,206 | 1,569 |
| | | | 20,240 | 20,625 | 385 |
| | | | 40 | 32 | (8) |
| | | | 36,500 | 41,951 | 5,451 |
| | | | 2,400 | 1,055 | (1,345) |
| | | | 1,002,742 | 1,011,066 | 8,324 |
| | 204,374 | | | 204,374 | |
| | 66,626 | | | 66,627 | |
| | 33,333 | | | 3,435,311 | |
| | 1,180,674 | | | 1,180,507 | |
| | 2,070 | | | 2,078 | |
| | 40,750 | | | 40,993 | |
| | 110 | | | 110 | |
| | 123,560 | | | 184,885 | |
| | 304,468 | | | 307,334 | |
| | 690,275 | | | 696,928 | |
| | 2,646,240 | | | 6,119,147 | |
| | 2,646,240 | | | 7,130,213 | |
| 400 | 398 | 2 | 400 | 398 | 2 |
| 2,012 | 2,472 | (460) | 2,012 | 2,472 | (460) |
| 2,768 | 3,288 | (520) | 2,768 | 3,288 | (520) |
| 6,858 | 6,891 | (33) | 6,858 | 6,891 | (33) |
| 1,889 | 2,745 | (856) | 1,889 | 2,745 | (856) |
| 19,818 | 23,787 | (3,969) | 19,818 | 23,787 | (3,969) |
| 3,698 | 4,164 | (466) | 3,698 | 4,164 | (466) |
| 2,087 | 2,325 | (238) | 2,087 | 2,325 | (238) |
| 2,223 | 3,318 | (1,095) | 2,223 | 3,318 | (1,095) |
| 543 | 350 | 193 | 1,235 | 983 | 252 |
| 133 | 17 | 116 | 298 | 109 | 189 |
| 2,108 | 1,867 | 241 | 5,205 | 4,020 | 1,185 |
| 2,620 | 2,221 | 399 | 4,410 | 3,895 | 515 |
| 3,309 | 3,294 | 15 | 3,309 | 3,294 | 15 |
| 10,473 | 10,088 | 385 | 45,620 | 37,318 | 8,302 |
| 12,612 | 12,052 | 560 | 12,612 | 12,052 | 560 |
| 696 | 501 | 195 | 43,833 | 43,146 | 687 |
| 100 | | 100 | 100 | | 100 |
| 167 | 92 | 75 | 167 | 92 | 75 |
| 503 | 489 | 14 | 503 | 489 | 14 |
| 57 | 56 | 1 | 57 | 56 | 1 |
| 254 | 216 | 38 | 254 | 216 | 38 |
| 201 | 184 | 17 | 201 | 184 | 17 |
| 144 | 144 | | 144 | 144 | |
| 34 | 19 | 15 | 34 | 19 | 15 |
| 320 | 306 | 14 | 320 | 306 | 14 |
| 34 | 30 | 4 | 34 | 30 | 4 |
| 50 | 39 | 11 | 50 | 39 | 11 |
| 176 | 40 | 136 | 176 | 40 | 136 |
| 157 | 144 | 13 | 157 | 144 | 13 |
| 37 | 36 | 1 | 37 | 36 | 1 |
| 182 | 180 | 2 | 182 | 180 | 2 |

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Transportation | | | Federal | | |
|---|----------------|--------------|-----------|----------------|----------------|---------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| EXAMINERS OF SOCIAL WORKERS | | | | | | |
| HAIRDRESSERS AND COSMETOLOGISTS | | | | | | |
| LICENSING HEARING AID DEALERS AND FITTERS | | | | | | |
| LICENSURE FOR NURSING HOME ADMINISTRATORS | | | | | | |
| MEDICAL LICENSURE | | | | | | |
| NURSING | | | | | | |
| OPHTHALMIC DISPENSERS | | | | | | |
| OPTOMETRIC EXAMINERS | | | | | | |
| ART THERAPISTS | | | | | | |
| OCCUPATIONAL THERAPY | | | | | | |
| RESPIRATORY CARE PRACTITIONERS | | | | | | |
| MARRIAGE AND FAMILY THERAPISTS | | | | | | |
| BOARD OF: | | | | | | |
| GEOLOGISTS | | | | | | |
| PERSONNEL | | | | | | |
| PHARMACY | | | | | | |
| PHYSICAL THERAPISTS | | | | | | |
| PODIATRY | | | | | | |
| REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS | | | | | | |
| SPEECH PATHOLOGY AND AUDIOLOGY | | | | | | |
| VETERINARY EXAMINERS | | | | | | |
| KENTUCKY ATHLETICS COMMISSION | | | | | | |
| EXECUTIVE BRANCH ETHICS COMMISSION | | | | | | |
| REAL ESTATE COMMISSION - ADMINISTRATION | | | | | | |
| EDUCATION RESEARCH AND TRAINING | | | | | | |
| REAL ESTATE APPRAISER BOARD | | | | | | |
| COMMISSION ON WOMEN | | | | 5 | 4 | 1 |
| COMMISSION ON HUMAN RIGHTS | | | | 197 | 142 | 55 |
| COUNCIL ON POSTSECONDARY EDUCATION | | | | 3,985 | 3,552 | 433 |
| PERSONNEL CABINET: | | | | | | |
| OFFICE OF THE SECRETARY | | | | | | |
| DEPARTMENT FOR EMPLOYEE RELATIONS | | | | | | |
| DEPARTMENT FOR PERSONNEL ADMINISTRATION | | | | | | |
| GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT | | | | | | |
| EASTERN KENTUCKY UNIVERSITY | | | | | | |
| KENTUCKY STATE UNIVERSITY | | | | | | |
| MOREHEAD STATE UNIVERSITY | | | | | | |
| MURRAY STATE UNIVERSITY | | | | | | |
| NORTHERN KENTUCKY UNIVERSITY | | | | | | |
| UNIVERSITY OF KENTUCKY | | | | | | |
| UNIVERSITY OF KENTUCKY - COMMUNITY COLLEGE SYSTEM | | | | | | |
| UNIVERSITY OF LOUISVILLE | | | | | | |
| WESTERN KENTUCKY UNIVERSITY | | | | | | |
| REVENUE CABINET: | | | | | | |
| OFFICE OF THE SECRETARY | | | | | | |
| DEPARTMENT OF TAX ADMINISTRATION | 1,066 | 1,057 | 9 | 90 | | 90 |
| DEPARTMENT OF PROPERTY VALUATION | 286 | 286 | | | | |
| DEPARTMENT OF LAW | | | | | | |
| OFFICE OF PROPERTY VALUATION ADMINISTRATORS ACCOUNTING | | | | | | |
| FINANCE AND ADMINISTRATION: | | | | | | |
| OFFICE OF THE SECRETARY | 125 | 125 | | 84,236 | 24,295 | 59,941 |
| KENTUCKY VETERANS CENTER | | | | | | |
| KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY | | | | 627 | 623 | 4 |
| COUNTY COSTS - PUBLIC DEFENDER PROGRAM | | | | | | |
| COUNTY COSTS - DUI SERVICE FEES | | | | | | |
| DEPARTMENT FOR ADMINISTRATION | 246 | 234 | 12 | | | |
| OFFICE OF GOVERNMENTAL SERVICES CENTER | | | | | | |
| DEPARTMENT FOR FACILITIES MANAGEMENT | | | | | | |
| TOTAL GENERAL GOVERNMENT | <u>1,723</u> | <u>1,702</u> | <u>21</u> | <u>173,168</u> | <u>103,043</u> | <u>70,125</u> |

| Agency Revenue | | | Totals | | |
|------------------|------------------|----------------|------------------|------------------|----------------|
| Budget | Actual | Variance | Budget | Actual | Variance |
| 97 | 79 | 18 | 97 | 79 | 18 |
| 741 | 634 | 107 | 741 | 634 | 107 |
| 37 | 32 | 5 | 37 | 32 | 5 |
| 69 | 62 | 7 | 69 | 62 | 7 |
| 1,659 | 1,423 | 236 | 1,659 | 1,423 | 236 |
| 2,666 | 2,560 | 106 | 2,666 | 2,560 | 106 |
| 31 | 30 | 1 | 31 | 30 | 1 |
| 136 | 136 | | 136 | 136 | |
| 6 | 5 | 1 | 6 | 5 | 1 |
| 41 | 33 | 8 | 41 | 33 | 8 |
| 67 | 58 | 9 | 67 | 58 | 9 |
| 40 | 18 | 22 | 40 | 18 | 22 |
| 69 | 62 | 7 | 69 | 62 | 7 |
| 8 | 5 | 3 | 8 | 5 | 3 |
| 572 | 500 | 72 | 572 | 500 | 72 |
| 277 | 271 | 6 | 277 | 271 | 6 |
| 9 | 6 | 3 | 9 | 6 | 3 |
| 848 | 838 | 10 | 848 | 838 | 10 |
| 68 | 63 | 5 | 68 | 63 | 5 |
| 90 | 82 | 8 | 90 | 82 | 8 |
| 62 | 58 | 4 | 62 | 58 | 4 |
| 8 | | 8 | 8 | | 8 |
| 1,096 | 923 | 173 | 1,096 | 923 | 173 |
| 792 | 691 | 101 | 792 | 691 | 101 |
| 349 | 349 | | 349 | 349 | |
| 7 | | 7 | 12 | 4 | 8 |
| 90 | 73 | 17 | 287 | 215 | 72 |
| | | | 3,985 | 3,552 | 433 |
| 3,637 | 3,283 | 354 | 3,637 | 3,283 | 354 |
| 2,224 | 1,772 | 452 | 2,224 | 1,772 | 452 |
| 382 | 332 | 50 | 382 | 332 | 50 |
| 40 | 7 | 33 | 40 | 7 | 33 |
| 104,067 | 97,714 | 6,353 | 104,067 | 97,714 | 6,353 |
| 22,647 | 22,100 | 547 | 22,647 | 22,100 | 547 |
| 47,737 | 47,290 | 447 | 47,737 | 47,290 | 447 |
| 44,996 | 40,990 | 4,006 | 44,996 | 40,990 | 4,006 |
| 50,971 | 43,835 | 7,136 | 50,971 | 43,835 | 7,136 |
| 601,206 | 601,206 | | 601,206 | 601,206 | |
| 95,589 | 35,513 | 60,076 | 95,589 | 35,513 | 60,076 |
| 225,773 | 33,365 | 192,408 | 225,773 | 33,365 | 192,408 |
| 69,673 | 62,073 | 7,600 | 69,673 | 62,073 | 7,600 |
| 57 | 20 | 37 | 57 | 20 | 37 |
| 935 | 493 | 442 | 2,091 | 1,550 | 541 |
| 1,561 | 1,363 | 198 | 1,847 | 1,649 | 198 |
| 436 | 138 | 298 | 436 | 138 | 298 |
| 2,646 | 2,464 | 182 | 2,646 | 2,464 | 182 |
| 3,663 | 3,001 | 662 | 88,024 | 27,421 | 60,603 |
| 9,847 | 9,704 | 143 | 9,847 | 9,704 | 143 |
| 13,735 | 12,145 | 1,590 | 14,362 | 12,768 | 1,594 |
| 535 | 535 | | 535 | 535 | |
| 858 | 858 | | 858 | 858 | |
| 2,819 | 2,304 | 515 | 3,065 | 2,538 | 527 |
| 1,253 | 1,215 | 38 | 1,253 | 1,215 | 38 |
| 101 | 70 | 31 | 101 | 70 | 31 |
| <u>1,393,986</u> | <u>1,114,534</u> | <u>279,452</u> | <u>1,568,877</u> | <u>1,219,279</u> | <u>349,598</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Transportation | | | Federal | | |
|---|----------------|--------|----------|---------|---------|----------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| LEGISLATIVE AND JUDICIAL: | | | | | | |
| GENERAL ASSEMBLY - LONG TERM POLICY | | | | | | |
| RESEARCH CENTER AND ETHICS COMMISSION | | | | | | |
| LEGISLATIVE RESEARCH COMMISSION | | | | 1 | | 1 |
| JUDICIAL FORM RETIREMENT SYSTEM | | | | | | |
| COURT OF JUSTICE | | | | | | |
| OPERATIONS AND ADMIN | | | | 1,317 | 742 | 575 |
| TOTAL LEGISLATIVE AND JUDICIAL | | | | 1,318 | 742 | 576 |
| COMMERCE: | | | | | | |
| ECONOMIC DEVELOPMENT - | | | | | | |
| OFFICE OF THE SECRETARY | | | | | | |
| ADMINISTRATION AND SUPPORT | | | | | | |
| FINANCIAL INCENTIVES | | | | | | |
| COMMUNITY DEVELOPMENT | | | | 318 | 264 | 54 |
| TOURISM - | | | | | | |
| OFFICE OF THE SECRETARY | | | | 130 | 30 | 100 |
| TRAVEL DEVELOPMENT | | | | 106 | 23 | 83 |
| DEPARTMENT OF PARKS | | | | | | |
| DEPARTMENT OF FISH AND WILDLIFE | | | | | | |
| RESOURCES | | | | 7,962 | 7,394 | 568 |
| TOTAL COMMERCE | | | | 8,516 | 7,711 | 805 |
| EDUCATION AND HUMANITIES: | | | | | | |
| COMMISSION ON THE DEAF AND HARD OF HEARING | | | | | | |
| ENVIRONMENTAL EDUCATION COUNCIL | | | | | | |
| KENTUCKY HERITAGE COUNCIL | | | | 803 | 791 | 12 |
| KENTUCKY ARTS COUNCIL | | | | 509 | 490 | 19 |
| OFFICE OF THE SECRETARY | | | | | | |
| EDUCATION - | | | | | | |
| EXECUTIVE POLICY AND MANAGEMENT | | | | 484 | 469 | 15 |
| MANAGEMENT SUPPORT SERVICES | | | | 138,867 | 138,826 | 41 |
| LEARNING RESULTS SERVICES | | | | 2,294 | 1,052 | 1,242 |
| LEARNING SUPPORT SERVICES | | | | 206,859 | 200,678 | 6,181 |
| KENTUCKY EDUCATIONAL TELEVISION | | | | 1,077 | 128 | 949 |
| KENTUCKY HISTORICAL SOCIETY | | | | 138 | 95 | 43 |
| LIBRARIES AND ARCHIVES - | | | | | | |
| DIRECT LOCAL AID | | | | 1,049 | 548 | 501 |
| GENERAL OPERATIONS | | | | 1,652 | 1,176 | 476 |
| TEACHERS RETIREMENT SYSTEM | | | | | | |
| WORKFORCE DEVELOPMENT - | | | | | | |
| OFFICE OF THE SECRETARY | | | | | | |
| JOB TRAINING COORDINATING COUNCIL | | | | 139 | 47 | 92 |
| GENERAL ADMINISTRATION & PROGRAM SUPPORT | | | | 9,915 | 6,698 | 3,217 |
| BOARD OF PROPRIETARY EDUCATION | | | | | | |
| STATE ADVISORY COUNCIL FOR | | | | | | |
| VOCATIONAL EDUCATION | | | | 152 | 43 | 109 |
| DEPARTMENT FOR THE BLIND | | | | 7,675 | 6,880 | 795 |
| OFFICE OF TRAINING AND REEMPLOYMENT | | | | 42,665 | 34,265 | 8,400 |
| DEPARTMENT FOR EMPLOYMENT SERVICES | | | | 48,633 | 44,102 | 4,531 |
| DEPARTMENT FOR TECHNICAL EDUCATION | | | | 24,390 | 21,386 | 3,004 |
| DEPARTMENT FOR ADULT EDUCATION & LITERACY | | | | 8,565 | 5,760 | 2,805 |
| DEPARTMENT OF VOCATIONAL REHABILITATION | | | | 35,843 | 35,683 | 160 |
| TOTAL EDUCATION AND HUMANITIES | | | | 531,709 | 499,117 | 32,592 |
| HUMAN RESOURCES: | | | | | | |
| CFC - ADMINISTRATIVE SERVICES | | | | 8,620 | 8,620 | |
| CFC - DEPARTMENT FOR SOCIAL INSURANCE | | | | 148,645 | 136,176 | 12,469 |
| CFC - TRANSITIONAL SUPPORT BENEFITS | | | | 172,369 | 141,842 | 30,527 |
| CFC - DEPARTMENT FOR SOCIAL SERVICES | | | | 158,412 | 141,490 | 16,922 |
| CFC - OFFICE OF FAMILY RESOURCES AND YOUTH SERVICES CENTERS | | | | | | |

| Agency Revenue | | | Totals | | |
|----------------|--------|----------|---------|---------|----------|
| Budget | Actual | Variance | Budget | Actual | Variance |
| 563 | 284 | 279 | 563 | 284 | 279 |
| 1,365 | 2 | 1,363 | 1,366 | 2 | 1,364 |
| 171 | 93 | 78 | 171 | 93 | 78 |
| 4,985 | 2,938 | 2,047 | 6,302 | 3,680 | 2,622 |
| 7,084 | 3,317 | 3,767 | 8,402 | 4,059 | 4,343 |
| 350 | 350 | | 350 | 350 | |
| 274 | 170 | 104 | 274 | 170 | 104 |
| 1,660 | 1,394 | 266 | 1,660 | 1,394 | 266 |
| 215 | 158 | 57 | 533 | 422 | 111 |
| 9 | 6 | 3 | 130 | 30 | 100 |
| | | | 115 | 29 | 86 |
| 20,695 | 20,675 | 20 | 28,657 | 28,069 | 588 |
| 23,203 | 22,753 | 450 | 31,719 | 30,464 | 1,255 |
| 267 | 194 | 73 | 267 | 194 | 73 |
| 260 | 181 | 79 | 260 | 181 | 79 |
| 216 | 159 | 57 | 1,019 | 950 | 69 |
| 407 | 330 | 77 | 916 | 820 | 96 |
| 101 | 95 | 6 | 101 | 95 | 6 |
| 459 | 368 | 91 | 943 | 837 | 106 |
| 2,178 | 1,124 | 1,054 | 141,045 | 139,950 | 1,095 |
| 202 | 102 | 100 | 2,496 | 1,154 | 1,342 |
| 2,098 | 1,021 | 1,077 | 208,957 | 201,699 | 7,258 |
| 2,549 | 1,209 | 1,340 | 3,626 | 1,337 | 2,289 |
| 390 | 16 | 374 | 528 | 111 | 417 |
| 5 | 2 | 3 | 1,054 | 550 | 504 |
| 1,165 | 1,120 | 45 | 2,817 | 2,296 | 521 |
| 3,814 | 3,811 | 3 | 3,814 | 3,811 | 3 |
| | | | 139 | 47 | 92 |
| 4,965 | 4,836 | 129 | 14,880 | 11,534 | 3,346 |
| 235 | 101 | 134 | 235 | 101 | 134 |
| | | | 152 | 43 | 109 |
| 1,750 | 1,221 | 529 | 9,425 | 8,101 | 1,324 |
| 18 | | 18 | 42,683 | 34,265 | 8,418 |
| 7,262 | 6,907 | 355 | 55,895 | 51,009 | 4,886 |
| 38,078 | 34,399 | 3,679 | 62,468 | 55,785 | 6,683 |
| 968 | 710 | 258 | 9,533 | 6,470 | 3,063 |
| 2,384 | 2,325 | 59 | 38,227 | 38,008 | 219 |
| 69,771 | 60,231 | 9,540 | 601,480 | 559,348 | 42,132 |
| 3,675 | 738 | 2,937 | 12,295 | 9,358 | 2,937 |
| 35,993 | 17,022 | 18,971 | 184,638 | 153,198 | 31,440 |
| 5,169 | 5,127 | 42 | 177,538 | 146,969 | 30,569 |
| 51,637 | 24,515 | 27,122 | 210,049 | 166,005 | 44,044 |
| 300 | 4 | 296 | 300 | 4 | 296 |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Transportation | | | Federal | | |
|--|----------------|---------------|-----------|------------------|------------------|----------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| CHS - ADMINISTRATIVE SUPPORT | | | | 7,536 | 7,466 | 70 |
| CHS - DEPARTMENT OF PUBLIC HEALTH | | | | 113,338 | 107,634 | 5,704 |
| CHS - DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION | | | | 35,035 | 27,814 | 7,221 |
| CHS - DEPARTMENT FOR MEDICAID SERVICES | | | | 39,936 | 34,058 | 5,878 |
| CHS - MEDICAID SERVICES BENEFITS | | | | 1,956,160 | 1,811,676 | 144,484 |
| CHS - OFFICE OF CERTIFICATE OF NEED | | | | | | |
| CHS - COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS | | | | 6,331 | 4,970 | 1,361 |
| TOTAL HUMAN RESOURCES | | | | 2,646,382 | 2,421,746 | 224,636 |
| JUSTICE: | | | | | | |
| ADMINISTRATION | | | | 11,621 | 7,026 | 4,595 |
| DEPARTMENT OF STATE POLICE | 40,407 | 40,340 | 67 | 8,834 | 6,113 | 2,721 |
| DEPARTMENT OF JUVENILE JUSTICE | | | | 17,564 | 15,620 | 1,944 |
| DEPARTMENT OF CRIMINAL JUSTICE TRAINING | | | | | | |
| DEPARTMENT OF CORRECTIONS - MANAGEMENT | | | | 566 | 517 | 49 |
| ADULT INSTITUTIONS | | | | 1,263 | 1,109 | 154 |
| COMMUNITY SERVICE AND LOCAL FACILITIES | | | | 173 | 58 | 115 |
| TOTAL JUSTICE | 40,407 | 40,340 | 67 | 40,021 | 30,443 | 9,578 |
| NATURAL RESOURCES AND | | | | | | |
| ENVIRONMENTAL PROTECTION: | | | | | | |
| OFFICE OF THE SECRETARY | | | | 2,208 | 2,021 | 187 |
| KENTUCKY RIVER AUTHORITY | | | | | | |
| ENVIRONMENTAL QUALITY COMMISSION | | | | 30 | 17 | 13 |
| KENTUCKY NATURE PRESERVES COMMISSION | | | | 13,516 | 11,294 | 2,222 |
| DEPARTMENT FOR ENVIRONMENTAL PROTECTION | | | | 2,923 | 2,036 | 887 |
| DEPARTMENT FOR NATURAL RESOURCES | | | | | | |
| DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT - SURFACE MINING RECLAMATION & ENFORCEMENT | | | | 16,047 | 14,319 | 1,728 |
| AML RECLAMATION PROJECTS | | | | 22,456 | 11,240 | 11,216 |
| TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | | | | 57,180 | 40,927 | 16,253 |
| PUBLIC PROTECTION AND REGULATION: | | | | | | |
| BOARD OF CLAIMS AND CRIME VICTIMS COMPENSATION | | | | 351 | 235 | 116 |
| BACKSIDE IMPROVEMENT COMMISSION | | | | | | |
| KENTUCKY RACING COMMISSION | | | | 242 | 229 | 13 |
| PUBLIC SERVICE COMMISSION | | | | | | |
| DEPARTMENT: | | | | | | |
| FOR PUBLIC ADVOCACY | | | | 1,087 | 905 | 182 |
| OF ALCOHOLIC BEVERAGE CONTROL | | | | | | |
| OF FINANCIAL INSTITUTIONS | | | | | | |
| OF HOUSING, BUILDING, AND CONSTRUCTION | | | | | | |
| OF INSURANCE | | | | | | |
| FOR MINES AND MINERALS | | | | 671 | 593 | 78 |

| Agency Revenue | | | Totals | | |
|----------------|----------------|----------------|------------------|------------------|----------------|
| Budget | Actual | Variance | Budget | Actual | Variance |
| 6,471 | 5,491 | 980 | 14,007 | 12,957 | 1,050 |
| 10,125 | 9,295 | 830 | 123,463 | 116,929 | 6,534 |
| 141,596 | 131,150 | 10,446 | 176,631 | 158,964 | 17,667 |
| 20,302 | 19,436 | 866 | 60,238 | 53,494 | 6,744 |
| 211,262 | 142,794 | 68,468 | 2,167,422 | 1,954,470 | 212,952 |
| 185 | 53 | 132 | 185 | 53 | 132 |
| 6,836 | 6,641 | 195 | 6,836 | 6,641 | 195 |
| | | | 6,331 | 4,970 | 1,361 |
| 493,551 | 362,266 | 131,285 | 3,139,933 | 2,784,012 | 355,921 |
| 3,262 | 2,426 | 836 | 14,883 | 9,452 | 5,431 |
| 6,215 | 3,535 | 2,680 | 55,456 | 49,988 | 5,468 |
| 5,940 | 5,569 | 371 | 23,504 | 21,189 | 2,315 |
| 22,438 | 21,044 | 1,394 | 22,438 | 21,044 | 1,394 |
| 166 | 133 | 33 | 732 | 650 | 82 |
| 4,012 | 3,051 | 961 | 5,275 | 4,160 | 1,115 |
| 421 | 286 | 135 | 594 | 344 | 250 |
| 42,454 | 36,044 | 6,410 | 122,882 | 106,827 | 16,055 |
| 796 | 297 | 499 | 3,004 | 2,318 | 686 |
| 1,247 | 718 | 529 | 1,247 | 718 | 529 |
| 18 | 3 | 15 | 18 | 3 | 15 |
| 728 | 566 | 162 | 758 | 583 | 175 |
| 19,033 | 15,683 | 3,350 | 32,549 | 26,977 | 5,572 |
| 5,682 | 1,849 | 3,833 | 8,605 | 3,885 | 4,720 |
| 6,051 | 3,064 | 2,987 | 22,098 | 17,383 | 4,715 |
| | | | 22,456 | 11,240 | 11,216 |
| 33,555 | 22,180 | 11,375 | 90,735 | 63,107 | 27,628 |
| 1,291 | 1,287 | 4 | 1,642 | 1,522 | 120 |
| 305 | 128 | 177 | 305 | 128 | 177 |
| 16,680 | 14,346 | 2,334 | 16,680 | 14,346 | 2,334 |
| 40 | 25 | 15 | 282 | 254 | 28 |
| 4,183 | 4,168 | 15 | 5,270 | 5,073 | 197 |
| 667 | 617 | 50 | 667 | 617 | 50 |
| 9,385 | 9,316 | 69 | 9,385 | 9,316 | 69 |
| 21,951 | 21,950 | 1 | 21,951 | 21,950 | 1 |
| 22,181 | 18,854 | 3,327 | 22,181 | 18,854 | 3,327 |
| 867 | 744 | 123 | 1,538 | 1,337 | 201 |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Transportation | | | Federal | | |
|---|----------------|------------|------------|-----------|-----------|-----------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| LABOR CABINET - | | | | | | |
| OFFICE OF THE SECRETARY | | | | | | |
| OCCUPATIONAL SAFETY AND HEALTH | | | | | | |
| REVIEW COMMISSION | | | | 161 | 156 | 5 |
| WORKPLACE STANDARDS | | | | 3,181 | 2,887 | 294 |
| TOTAL PUBLIC PROTECTION AND REGULATION | | | | 5,693 | 5,005 | 688 |
| TRANSPORTATION: | | | | | | |
| ADMINISTRATION & SUPPORT | 56,298 | 51,821 | 4,477 | | | |
| REVENUE SHARING | 259,909 | 206,879 | 53,030 | | | |
| AIR TRANSPORTATION | | | | 463 | 191 | 272 |
| HIGHWAYS | 1,079,205 | 454,642 | 624,563 | 977,853 | 328,649 | 649,204 |
| HIGHWAYS-PUBLIC TRANSPORTATION | | | | 9,891 | 4,506 | 5,385 |
| RAIL TRANSPORTATION | | | | 33 | 32 | 1 |
| VEHICLE REGULATION | 28,564 | 25,518 | 3,046 | 3,568 | 1,280 | 2,288 |
| DEBT SERVICE | 152,194 | 152,194 | | | | |
| TRANSFERS TO CAPITAL CONSTRUCTION | 4,004 | 4,004 | | | | |
| ROAD FUND JUDGEMENTS | 6,321 | 5,983 | 338 | | | |
| 1990 ECONOMIC DEVELOPMENT BOND PROJECTS | | | | | | |
| TOTAL TRANSPORTATION | 1,586,495 | 901,041 | 685,454 | 991,808 | 334,658 | 657,150 |
| TOTAL EXPENDITURES | 1,628,625 | 943,083 | 685,542 | 4,455,795 | 3,443,392 | 1,012,403 |
| EXCESS OF REVENUES OVER (UNDER) | | | | | | |
| EXPENDITURES | (625,883) | 68,856 | 694,739 | | 28,642 | |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| TURNPIKE AUTHORITY | 935 | 935 | | | | |
| RECEIPTS FROM TRUSTEES | | | | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | 935 | 935 | | | | |
| EXCESS OF REVENUES AND OTHER FINANCING | | | | | | |
| SOURCES OVER (UNDER) EXPENDITURES AND | | | | | | |
| OTHER FINANCING USES | (624,948) | 69,791 | | | 28,642 | |
| FUND BALANCES AT JULY 1 | 647,934 | 647,934 | | | 11,625 | |
| MOVED TO AGENCY REVENUE FUND | | | | | | |
| MOVED FROM FEDERAL FUND | | | | | | |
| MOVED TO FLEET MANAGEMENT FUND | | | | | | |
| MOVED TO UNIVERSITIES | | | | | | |
| NON-BUDGETED ITEMS | | (1,890) | (1,890) | | (15,280) | |
| FUND BALANCES AT JUNE 30 | \$ 22,986 | \$ 715,835 | \$ 692,849 | \$ | \$ 24,987 | \$ |

| Agency Revenue | | | Totals | | |
|----------------|-------------------|-----------|-----------|---------------------|-----------|
| Budget | Actual | Variance | Budget | Actual | Variance |
| 3,948 | 3,702 | 246 | 3,948 | 3,702 | 246 |
| | | | 161 | 156 | 5 |
| | | | 3,181 | 2,887 | 294 |
| 81,498 | 75,137 | 6,361 | 87,191 | 80,142 | 7,049 |
| 50 | | 50 | 56,348 | 51,821 | 4,527 |
| 100 | 39 | 61 | 259,909 | 206,879 | 53,030 |
| 50,078 | 18,245 | 31,833 | 563 | 230 | 333 |
| | | | 2,107,136 | 801,536 | 1,305,600 |
| | | | 9,891 | 4,506 | 5,385 |
| | | | 33 | 32 | 1 |
| 4,684 | 3,605 | 1,079 | 36,816 | 30,403 | 6,413 |
| | | | 152,194 | 152,194 | |
| | | | 4,004 | 4,004 | |
| | | | 6,321 | 5,983 | 338 |
| 175,929 | 53,402 | 122,527 | 175,929 | 53,402 | 122,527 |
| 230,841 | 75,291 | 155,550 | 2,809,144 | 1,310,990 | 1,498,154 |
| 2,375,943 | 1,771,753 | 604,190 | 8,460,363 | 6,158,228 | 2,302,135 |
| | 874,487 | | | 971,985 | |
| | | | 935 | 935 | |
| | 140 | | | 140 | |
| | 140 | | 935 | 1,075 | |
| | 874,627 | | | 973,060 | |
| | 680,794 | | | 1,340,353 | |
| | (890,286) | | | (907,456) | |
| \$ | \$ 665,135 | \$ | \$ | \$ 1,405,957 | \$ |

DEBT SERVICE FUND

The **Debt Service Fund** accounts for payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|-------------------------------------|----------------------|
| ASSETS | |
| CASH AND CASH EQUIVALENTS | \$ 3,452 |
| CASH WITH FISCAL AGENTS | 59,255 |
| INVESTMENTS, NET OF AMORTIZATION | 300,222 |
| RECEIVABLES, NET | 2,625 |
| INTERFUND RECEIVABLES | 840 |
| TOTAL ASSETS | <u>\$ 366,394</u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES: | |
| ACCOUNTS PAYABLE | \$ 852 |
| INTERFUND PAYABLES | 12,032 |
| DEFERRED REVENUE | 136 |
| TOTAL LIABILITIES | <u>13,020</u> |
| FUND BALANCE: | |
| RESERVED FOR: | |
| REVENUE BOND RETIREMENT | 305,479 |
| DEPOSIT WITH FISCAL AGENTS | 21,594 |
| UNRESERVED: | |
| DESIGNATED FOR DEBT SERVICE | 26,301 |
| TOTAL FUND BALANCE | <u>353,374</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 366,394</u> |

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|--|----------------------|
| REVENUES: | |
| CHARGES FOR SERVICES | \$ 8,137 |
| INTEREST AND OTHER INVESTMENT INCOME | 28,307 |
| OTHER REVENUES | <u>304</u> |
| TOTAL REVENUES | <u>36,748</u> |
| EXPENDITURES: | |
| PRINCIPAL RETIREMENT | 213,500 |
| INTEREST AND FISCAL CHARGES | 222,986 |
| OTHER EXPENDITURES | <u>1,543</u> |
| TOTAL EXPENDITURES | <u>438,029</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(401,281)</u> |
| OTHER FINANCING SOURCES (USES): | |
| OPERATING TRANSFERS IN - GENERAL FUND | 205,560 |
| OPERATING TRANSFERS IN - CAPITAL PROJECTS FUND | 1,380 |
| OPERATING TRANSFERS IN - OTHER SPECIAL REVENUE FUND | 154,424 |
| OPERATING TRANSFERS IN - STATE FAIR BOARD FUND | 371 |
| OPERATING TRANSFERS OUT - GENERAL FUND | (9,782) |
| PROCEEDS FROM SALE OF BONDS: | |
| REFUNDING ISSUES | 44,264 |
| PAYMENTS TO REFUNDED BOND ESCROW AGENT | <u>0.00</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>396,217</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (5,064) |
| FUND BALANCE AT JULY 1, AS RESTATED | 358,438 |
| FUND BALANCE AT JUNE 30 | <u>\$ 353,374</u> |

CAPITAL PROJECTS FUND

The **Capital Projects Fund** accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|-------------------------------------|----------------------|
| ASSETS | |
| CASH AND CASH EQUIVALENTS | \$ 32,359 |
| INVESTMENTS, NET OF AMORTIZATION | 347,721 |
| RECEIVABLES, NET | 5,402 |
| INTERFUND RECEIVABLES | 4,895 |
| DUE FROM COMPONENT UNITS | |
| TOTAL ASSETS | <u>\$ 390,377</u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES: | |
| ACCOUNTS PAYABLE | \$ 8,358 |
| INTERFUND PAYABLES | 853 |
| DEFERRED REVENUE | 14,985 |
| TOTAL LIABILITIES | <u>24,196</u> |
| FUND BALANCE: | |
| RESERVED FOR: | |
| ENCUMBRANCES | 52,384 |
| CAPITAL OUTLAY | 78,424 |
| UNRESERVED: | |
| UNDESIGNATED | 235,373 |
| TOTAL FUND BALANCE | <u>366,181</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 390,377</u> |

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>June 30, 1998</u> |
|--|----------------------|
| REVENUES: | |
| INTERGOVERNMENTAL | \$ 300 |
| INTEREST AND OTHER INVESTMENT INCOME | 30,219 |
| OTHER REVENUES | <u>2,577</u> |
| TOTAL REVENUES | <u>33,096</u> |
| EXPENDITURES: | |
| CAPITAL OUTLAY: | |
| GENERAL GOVERNMENT | 6,916 |
| LEGISLATIVE AND JUDICIAL | 22 |
| COMMERCE | 82,951 |
| EDUCATION AND HUMANITIES | 17,312 |
| HUMAN RESOURCES | 4,859 |
| JUSTICE | 14,290 |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | 2,111 |
| PUBLIC PROTECTION AND REGULATION | 682 |
| TRANSPORTATION | <u>5,963</u> |
| TOTAL EXPENDITURES | <u>135,106</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(102,010)</u> |
| OTHER FINANCING SOURCES (USES): | |
| OPERATING TRANSFERS IN | 1,860 |
| OPERATING TRANSFERS OUT | (52,668) |
| PROCEEDS FROM SALE OF BONDS : | |
| NEW ISSUES | <u>80,888</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>30,080</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (71,930) |
| FUND BALANCE AT JULY 1, AS RESTATED | 438,111 |
| FUND BALANCE AT JUNE 30 | <u>\$ 366,181</u> |

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND - (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Appropriations | | Expenditures | | Unexpended Balances |
|---|---------------------|---------------------|-------------------|---------------------|------------------------|
| | To Date | Prior Years | Current Year | Totals | |
| GENERAL GOVERNMENT: | | | | | |
| CABINET OF THE GENERAL GOVERNMENT | \$ 143,641 | \$ 42,504 | \$ 7,603 | \$ 50,107 | \$ 93,534 |
| REVENUE CABINET | 749 | 749 | 0 | 749 | 0 |
| FINANCE AND ADMINISTRATION CABINET | 297,211 | 123,507 | 13,458 | 136,965 | 160,246 |
| CABINET FOR UNIVERSITIES | 2,492,665 | 841,680 | 65,487 | 907,167 | 1,585,498 |
| PERSONNEL CABINET | 1,600 | 0 | 842 | 842 | 758 |
| TOTAL GENERAL GOVERNMENT | <u>2,935,866</u> | <u>1,008,440</u> | <u>87,390</u> | <u>1,095,830</u> | <u>1,840,036</u> |
| LEGISLATIVE AND JUDICIAL: | | | | | |
| LEGISLATIVE CABINET | <u>3,524</u> | <u>3,217</u> | <u>22</u> | <u>3,239</u> | <u>285</u> |
| TOTAL LEGISLATIVE AND JUDICIAL | <u>3,524</u> | <u>3,217</u> | <u>22</u> | <u>3,239</u> | <u>285</u> |
| COMMERCE: | | | | | |
| CABINET FOR ECONOMIC DEVELOPMENT | 107,736 | 44,005 | 25,650 | 69,655 | 38,081 |
| TOURISM CABINET | <u>247,830</u> | <u>86,718</u> | <u>59,620</u> | <u>146,338</u> | <u>101,492</u> |
| TOTAL COMMERCE | <u>355,566</u> | <u>130,723</u> | <u>85,270</u> | <u>215,993</u> | <u>139,573</u> |
| EDUCATION AND HUMANITIES: | | | | | |
| EDUCATION, ARTS AND HUMANITIES CABINET | 64,016 | 26,761 | 14,351 | 41,112 | 22,904 |
| CABINET FOR WORKFORCE DEVELOPMENT | <u>62,124</u> | <u>41,884</u> | <u>3,765</u> | <u>45,649</u> | <u>16,475</u> |
| TOTAL EDUCATION AND HUMANITIES | <u>126,140</u> | <u>68,645</u> | <u>18,116</u> | <u>86,761</u> | <u>39,379</u> |
| HUMAN RESOURCES: | | | | | |
| CABINET FOR HUMAN RESOURCES | 10,135 | 10,135 | | 10,135 | 0 |
| CABINET FOR FAMILIES AND CHILDREN | 18,117 | 7,524 | 3,774 | 11,298 | 6,819 |
| CABINET FOR HEALTH SERVICES | <u>27,270</u> | <u>22,215</u> | <u>1,053</u> | <u>23,268</u> | <u>4,002</u> |
| TOTAL HUMAN RESOURCES | <u>55,522</u> | <u>39,874</u> | <u>4,827</u> | <u>44,701</u> | <u>10,821</u> |
| JUSTICE: | | | | | |
| JUSTICE CABINET | <u>130,249</u> | <u>73,288</u> | <u>14,499</u> | <u>87,787</u> | <u>42,462</u> |
| TOTAL JUSTICE | <u>130,249</u> | <u>73,288</u> | <u>14,499</u> | <u>87,787</u> | <u>42,462</u> |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION: | | | | | |
| NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET | <u>54,114</u> | <u>14,814</u> | <u>2,518</u> | <u>17,332</u> | <u>36,782</u> |
| TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION | <u>54,114</u> | <u>14,814</u> | <u>2,518</u> | <u>17,332</u> | <u>36,782</u> |
| PUBLIC PROTECTION AND REGULATION: | | | | | |
| PUBLIC PROTECTION AND REGULATION CABINET | 7,670 | 922 | 312 | 1,234 | 6,436 |
| LABOR CABINET | <u>2,063</u> | <u>1,793</u> | <u>260</u> | <u>2,053</u> | <u>10</u> |
| TOTAL PUBLIC PROTECTION AND REGULATION | <u>9,733</u> | <u>2,715</u> | <u>572</u> | <u>3,287</u> | <u>6,446</u> |
| TRANSPORTATION: | | | | | |
| TRANSPORTATION CABINET | <u>44,844</u> | <u>24,137</u> | <u>5,974</u> | <u>30,111</u> | <u>14,733</u> |
| TOTAL TRANSPORTATION | <u>44,844</u> | <u>24,137</u> | <u>5,974</u> | <u>30,111</u> | <u>14,733</u> |
| UNREDEEMED TREASURY CHECKS | | | | | |
| | | | <u>100</u> | <u>100</u> | |
| TOTAL PROJECTS | <u>\$ 3,715,558</u> | <u>\$ 1,365,853</u> | <u>\$ 219,288</u> | <u>\$ 1,585,141</u> | <u>\$ 2,130,517</u> |

ENTERPRISE FUNDS

The **Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. The State enterprise operations are described below.

State Parks Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

Kentucky Lottery Corporation - empowered by KRS 154A to administer the Kentucky state lottery created pursuant to amended Section 226 of the Constitution of Kentucky as ratified by the voters of the Commonwealth.

Industries for the Blind Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department for the Blind.

State Horse Park Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

Insurance Administration Fund - accounts for insurance risk pools operated by the State. These include:

Kentucky Kare - a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65.

Workers' Compensation Special Fund - provides benefits for workers with illnesses which are not attributable to one employer.

Coal Workers Pneumoconiosis Fund - provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

Petroleum Storage Tank Environmental Assurance Program - provides for the clean-up of leaking underground storage tanks in amounts that exceed the insurance coverage required of the owners and operators.

Mine Subsidence Insurance Program - provides coverage against losses arising out of or due to mine subsidence within this state.

Bond Pool Program - provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1998
(Expressed in Thousands)

| | State Parks | Kentucky Lottery Corporation | Industries for the Blind | Horse Park | Insurance Administration | Totals June 30, 1998 |
|-------------------------------------|----------------|------------------------------------|--------------------------------|---------------|-----------------------------|-------------------------|
| ASSETS | | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 5,221 | \$ 27,379 | \$ 34 | \$ 423 | \$ 104,463 | \$ 137,520 |
| INVESTMENTS, NET OF AMORTIZATION | | 36,622 | | | | 36,622 |
| RECEIVABLES, NET | 600 | 19,451 | 89 | 208 | 20,452 | 40,800 |
| INTERFUND RECEIVABLES | 131 | | 23 | 5 | 4 | 163 |
| INTEREST RECEIVABLE | | | | | 3,568 | 3,568 |
| INVENTORIES | 2,660 | 238 | 149 | 410 | | 3,457 |
| PREPAID EXPENSES | 3 | 321 | | 1 | | 325 |
| TOTAL CURRENT ASSETS | 8,615 | 84,011 | 295 | 1,047 | 128,487 | 222,455 |
| OTHER ASSETS: | | | | | | |
| LONG TERM INVESTMENTS | 3,809 | 351,977 | 385 | 51 | 452,329 | 808,551 |
| LONG-TERM RECEIVABLES | | 3,988 | | | | 3,988 |
| TOTAL OTHER ASSETS | 3,809 | 355,965 | 385 | 51 | 452,329 | 812,539 |
| FIXED ASSETS: | | | | | | |
| LAND | 11,120 | 423 | 50 | 2,954 | | 14,547 |
| IMPROVEMENTS OTHER THAN BUILDINGS | 43,478 | 308 | | 13,752 | | 57,538 |
| BUILDINGS | 87,415 | 7,013 | 988 | 14,678 | | 110,094 |
| MACHINERY AND EQUIPMENT | 9,428 | 21,759 | 139 | 2,470 | 1,529 | 35,325 |
| LESS: ACCUMULATED DEPRECIATION | (72,673) | (16,544) | (815) | (19,774) | (683) | (110,489) |
| CONSTRUCTION IN PROGRESS | 72,592 | 17 | | 606 | | 73,215 |
| TOTAL FIXED ASSETS, NET | 151,360 | 12,976 | 362 | 14,686 | 846 | 180,230 |
| TOTAL ASSETS | \$ 163,784 | \$ 452,952 | \$ 1,042 | \$ 15,784 | \$ 581,662 | \$ 1,215,224 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| ACCOUNTS PAYABLE | \$ 2,479 | \$ 6,264 | \$ 105 | \$ 277 | \$ 7,021 | \$ 16,146 |
| INTERFUND PAYABLES | 370 | | 3 | 33 | 2,066 | 2,472 |
| CLAIMS LIABILITY | | | | | 194,362 | 194,362 |
| CLAIMS ADJUSTMENT LIABILITY | | | | | 5,569 | 5,569 |
| CAPITAL LEASE OBLIGATIONS | 92 | | | | | 92 |
| NOTES PAYABLE | | 1,356 | | | | 1,356 |
| LONG-TERM DEBT | | 55,111 | | | | 55,111 |
| COMPENSATED ABSENCES | 2,058 | 575 | 25 | 240 | 862 | 3,760 |
| DEFERRED REVENUE | 19 | | 4 | 165 | 1,323 | 1,511 |
| TOTAL CURRENT LIABILITIES | 5,018 | 63,306 | 137 | 715 | 211,203 | 280,379 |
| LONG-TERM LIABILITIES: | | | | | | |
| CLAIMS LIABILITY | | | | | 1,413,729 | 1,413,729 |
| CLAIMS ADJUSTMENT LIABILITY | | | | | 61,532 | 61,532 |
| CAPITAL LEASE OBLIGATIONS | 5 | | | | | 5 |
| NOTES PAYABLE | | 4,413 | | | | 4,413 |
| COMPENSATED ABSENCES | 2,201 | | 26 | 197 | 617 | 3,041 |
| OTHER LIABILITIES | 1,060 | 317,884 | | | | 318,944 |
| TOTAL LONG-TERM LIABILITIES | 3,266 | 322,297 | 26 | 197 | 1,475,878 | 1,801,664 |
| TOTAL LIABILITIES | 8,284 | 385,603 | 163 | 912 | 1,687,081 | 2,082,043 |
| FUND EQUITY: | | | | | | |
| CONTRIBUTED CAPITAL | 107,557 | | | 14,285 | | 121,842 |
| RETAINED EARNINGS: | | | | | | |
| UNRESERVED | 47,943 | 67,349 | 879 | 587 | (1,105,419) | (988,661) |
| TOTAL FUND EQUITY | 155,500 | 67,349 | 879 | 14,872 | (1,105,419) | (866,819) |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 163,784 | \$ 452,952 | \$ 1,042 | \$ 15,784 | \$ 581,662 | \$ 1,215,224 |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | State Parks | Kentucky Lottery Corporation | Industries for the Blind | Horse Park | Insurance Administration | Totals June 30, 1998 |
|---|------------------|------------------------------------|--------------------------------|----------------|-----------------------------|-------------------------|
| OPERATING REVENUES: | | | | | | |
| CHARGES FOR SERVICES | \$ 44,325 | \$ | \$ 1,121 | \$ 3,926 | \$ 246,684 | \$ 296,056 |
| INTEREST AND OTHER INVESTMENT INCOME | | | | | 48,522 | 48,522 |
| LOTTERY PROCEEDS | | 584,989 | | | | 584,989 |
| OTHER REVENUES | 367 | | 2 | 20 | 15,121 | 15,510 |
| TOTAL OPERATING REVENUES | 44,692 | 584,989 | 1,123 | 3,946 | 310,327 | 945,077 |
| OPERATING EXPENSES: | | | | | | |
| PERSONAL EXPENSES | 42,198 | 9,960 | 1,076 | 3,537 | 23,491 | 80,262 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 9,860 | 957 | 182 | 969 | 2,287 | 14,255 |
| COMMODITIES AND SUPPLIES | 20,165 | 181 | 825 | 1,773 | 1,478 | 24,422 |
| GRANTS AND SUBSIDIES | 25 | | 151 | | | 176 |
| DEPRECIATION AND AMORTIZATION | 3,898 | 2,114 | 30 | 497 | 209 | 6,748 |
| TRAVEL | 317 | 612 | 2 | 31 | 414 | 1,376 |
| CLAIMS EXPENSE | 66 | | | | 263,116 | 263,182 |
| CLAIMS ADJUSTMENT EXPENSE | | | | | 260 | 260 |
| PRIZE EXPENSE | | 350,080 | | | | 350,080 |
| OTHER EXPENSES | | 65,608 | | | 234 | 65,842 |
| TOTAL OPERATING EXPENSES | 76,529 | 429,512 | 2,266 | 6,807 | 291,489 | 806,603 |
| OPERATING INCOME (LOSS) | (31,837) | 155,477 | (1,143) | (2,861) | 18,838 | 138,474 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| GAIN (LOSS) ON SALE OF FIXED ASSETS | (58) | | | | (16) | (74) |
| INTEREST AND OTHER INVESTMENT INCOME | 61 | 25,451 | 1 | | | 25,513 |
| CHANGE IN ACTUARIAL ESTIMATE | | | | | | |
| INTEREST EXPENSE | (11) | (320) | | | | (331) |
| OTHER REVENUES (EXPENSE) | 2 | | 1 | | | 3 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (6) | 25,131 | 2 | | (16) | 25,111 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | (31,843) | 180,608 | (1,141) | (2,861) | 18,822 | 163,585 |
| OPERATING TRANSFERS IN | 31,889 | | 900 | 2,331 | 19,111 | 54,231 |
| OPERATING TRANSFERS OUT | (1,285) | (153,000) | | | (9,241) | (163,526) |
| NET INCOME (LOSS) | (1,239) | 27,608 | (241) | (530) | 28,692 | 54,290 |
| ADD DEPRECIATION ON FIXED ASSETS | | | | | | |
| ACQUIRED BY CAPITAL GRANTS | 1,456 | | | 455 | | 1,911 |
| INCREASE (DECREASE) IN RETAINED EARNINGS | 217 | 27,608 | (241) | (75) | 28,692 | 56,201 |
| RETAINED EARNINGS AT JULY 1, AS RESTATED | 47,726 | 39,741 | 1,120 | 662 | (1,134,111) | (1,044,862) |
| RETAINED EARNINGS AT JUNE 30 | \$ 47,943 | \$ 67,349 | \$ 879 | \$ 587 | \$ (1,105,419) | \$ (988,661) |

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | State Parks | Lottery Corporation |
|---|--------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| CASH RECEIVED FROM CUSTOMERS - PUBLIC | \$ 43,220 | \$ 582,324 |
| CASH RECEIVED FROM CUSTOMERS - STATE | 1,281 | |
| CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES | (31,024) | (61,968) |
| CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS | (42,266) | (9,960) |
| CASH PAYMENTS FOR CLAIMS EXPENSE | (66) | (350,080) |
| CASH PAYMENTS (TO) FROM OTHER SOURCES | 369 | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>(28,486)</u> | <u>160,316</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| OPERATING TRANSFERS-IN FROM OTHER FUNDS | 31,889 | |
| OPERATING TRANSFERS-OUT TO OTHER FUNDS | (1,285) | (153,000) |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>30,604</u> | <u>(153,000)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS | (811) | (4,027) |
| PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS | | (1,018) |
| INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS | (11) | (320) |
| PROCEEDS FROM SALE OF EQUIPMENT | | 15 |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(822)</u> | <u>(5,350)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| PURCHASE OF INVESTMENT SECURITIES | | (40,542) |
| PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES | 208 | 40,229 |
| INTEREST AND DIVIDENDS ON INVESTMENTS | 61 | 1,792 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>269</u> | <u>1,479</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,565 | 3,445 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 3,656 | 23,934 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 5,221</u> | <u>\$ 27,379</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| OPERATING INCOME (LOSS) | \$ (31,837) | \$ 155,477 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| DEPRECIATION AND AMORTIZATION | 3,898 | 2,114 |
| INTEREST AND OTHER INVESTMENT INCOME | | |
| MISCELLANEOUS NONOPERATING INCOME (EXPENSE) | 2 | |
| CHANGE IN ASSETS AND LIABILITIES: | | |
| (INCREASE) DECREASE IN ASSETS | | |
| RECEIVABLES, NET | 90 | (2,704) |
| INTERFUND RECEIVABLES | 91 | |
| INVENTORIES | 684 | 1,652 |
| PREPAID EXPENSES | 10 | (12) |
| OTHER ASSETS | | 2,260 |
| INCREASE (DECREASE) IN LIABILITIES | | |
| ACCOUNTS PAYABLE | (942) | 1,487 |
| INTERFUND PAYABLES | (751) | |
| CLAIMS LIABILITY | | |
| CLAIMS ADJUSTMENT LIABILITY | | |
| COMPENSATED ABSENCES | 274 | 42 |
| OTHER LIABILITIES | | |
| DEFERRED REVENUE | (5) | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ (28,486)</u> | <u>\$ 160,316</u> |

THROUGH CONTRIBUTED CAPITAL, STATE PARKS, AND HORSE PARK ACQUIRED FIXED ASSETS COSTING \$35,474,(000), AND \$339,(000), RESPECTIVELY. THROUGH CAPITAL LEASES STATE PARKS ACQUIRED FIXED ASSETS COSTING \$10,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$2,(000) AND \$1,(000) RESPECTIVELY.

FOR THE LOTTERY CORPORATION, THE ACCRETION OF INTEREST ON GRAND PRIZE INVESTMENTS, WHICH ALSO INCREASED THE ESTIMATED PRIZE LIABILITY, TOTALED APPROXIMATELY \$22,835(000) FOR THE YEAR.

| Industries for the Blind | Horse Park | Insurance Administration | Totals June 30,1998 |
|-----------------------------|-------------------|-----------------------------|------------------------|
| \$ 293 | \$ 3,927 | \$ 250,839 | \$ 880,603 |
| 1,012 | 100 | | 2,393 |
| (852) | (2,871) | (3,973) | (100,688) |
| (1,079) | (3,528) | (23,078) | (79,911) |
| | | (297,020) | (647,166) |
| (148) | 20 | 5,500 | 5,741 |
| (774) | (2,352) | (67,732) | 60,972 |
| 900 | 2,331 | 11,870 | 46,990 |
| | | (3,118) | (157,403) |
| 900 | 2,331 | 8,752 | (110,413) |
| | (1) | (330) | (5,169) |
| | | | (1,018) |
| | | | (331) |
| | | | 15 |
| | (1) | (330) | (6,503) |
| (139) | | (20,111) | (60,792) |
| | 7 | 44,548 | 84,992 |
| | | 61,121 | 62,974 |
| (139) | 7 | 85,558 | 87,174 |
| (13) | (15) | 26,248 | 31,230 |
| 47 | 438 | 78,215 | 106,290 |
| <u>\$ 34</u> | <u>\$ 423</u> | <u>\$ 104,463</u> | <u>\$ 137,520</u> |
| \$ (1,143) | \$ (2,861) | \$ 18,838 | \$ 138,474 |
| 30 | 497 | 209 | 6,748 |
| 1 | | (59,412) | (59,412) |
| | | (16) | (13) |
| 188 | (18) | 3,033 | 589 |
| (5) | 15 | 2,013 | 2,114 |
| 79 | (43) | 28 | 2,400 |
| | 4 | | 2 |
| | | | 2,260 |
| 73 | (42) | 1,306 | 1,882 |
| 3 | (48) | (300) | (1,096) |
| | | (34,303) | (34,303) |
| | | 260 | 260 |
| (1) | 40 | 17 | 372 |
| 1 | 104 | 595 | 695 |
| <u>\$ (774)</u> | <u>\$ (2,352)</u> | <u>\$ (67,732)</u> | <u>\$ 60,972</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | State Parks | | | Industries For The Blind | | |
|--------------------------------------|-------------|------------|----------|--------------------------|--------|----------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| REVENUES: | | | | | | |
| LICENSES, FEES, AND PERMITS | \$ | \$ | \$ | \$ | \$ | \$ |
| CHARGES FOR SERVICES | | 40,794 | | | 1,203 | |
| FINES AND FORFEITS | | 2 | | | | |
| INTEREST AND OTHER INVESTMENT INCOME | | 46 | | | | |
| OTHER REVENUES | | 417 | | | 2 | |
| TRANSFERS IN (INTERFUND) | | 62 | | | | |
| TRANSFERS IN (INTRAFUND) | | 35 | | | | |
| TOTAL REVENUES | | 41,356 | | | 1,205 | |
| EXPENSES: | | | | | | |
| GENERAL GOVERNMENT: | | | | | | |
| OFFICE OF THE ATTORNEY GENERAL | | | | | | |
| PERSONNEL CABINET | | | | | | |
| FINANCE AND ADMINISTRATION | | | | | | |
| COMMERCE | 43,392 | 40,669 | 2,723 | | | |
| EDUCATION AND HUMANITIES | | | | 1,905 | 1,196 | 709 |
| NATURAL RESOURCES AND | | | | | | |
| ENVIRONMENTAL PROTECTION: | | | | | | |
| DEPT FOR SURFACE MINING | | | | | | |
| RECLAMATION & ENFORCEMENTS | | | | | | |
| DEPARTMENT FOR SURFACE MINING | | | | | | |
| RECLAMATION AND ENFORCEMENT | | | | | | |
| PUBLIC PROTECTION AND REGULATION: | | | | | | |
| SECRETARY'S OFFICE | | | | | | |
| DEPARTMENT OF INSURANCE | | | | | | |
| LABOR CABINET: | | | | | | |
| KENTUCKY OCCUPATIONAL SAFETY & | | | | | | |
| HEALTH REVIEW COMMISSION | | | | | | |
| DEPARTMENT OF WORKPLACE | | | | | | |
| STANDARDS | | | | | | |
| DEPARTMENT OF WORKERS CLAIMS | | | | | | |
| WORKERS COMPENSATION FUNDING | | | | | | |
| COMMISSION | | | | | | |
| TOTAL EXPENSES | 43,392 | 40,669 | 2,723 | 1,905 | 1,196 | 709 |
| EXCESS OF REVENUES OVER | | | | | | |
| (UNDER) EXPENSES | | 687 | | | 9 | |
| FUND BALANCES/FUND EQUITY AT JULY 1 | | 101,169 | | | 849 | |
| NON-BUDGETED ITEMS | | (124) | | | | |
| FIXED ASSET ALLOCATION | | 25,662 | | | (55) | |
| FUND BALANCES/FUND EQUITY AT JUNE 30 | \$ | \$ 127,394 | \$ | \$ | \$ 803 | \$ |

| Horse Park | | | Insurance Administration | | | Totals | | |
|------------|-----------|----------|--------------------------|------------|----------|---------|------------|----------|
| Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | 4,023 | | | 14 | | | 14 | |
| | 1 | | | 59,615 | | | 105,635 | |
| | | | | 634 | | | 637 | |
| | | | | 9,672 | | | 9,718 | |
| | 22 | | | 87,223 | | | 87,664 | |
| | 13 | | | 61,779 | | | 61,854 | |
| | | | | 267,297 | | | 267,332 | |
| | 4,059 | | | 486,234 | | | 532,854 | |
| | | | 6,557 | 3,890 | 2,667 | 6,557 | 3,890 | 2,667 |
| | | | 334 | 317 | 17 | 334 | 317 | 17 |
| | | | 864 | 854 | 10 | 864 | 854 | 10 |
| 3,941 | 3,936 | 5 | | | | 47,333 | 44,605 | 2,728 |
| | | | | | | 1,905 | 1,196 | 709 |
| | | | 702 | 420 | 282 | 702 | 420 | 282 |
| | | | 41,012 | 29,466 | 11,546 | 41,012 | 29,466 | 11,546 |
| | | | 364 | 195 | 169 | 364 | 195 | 169 |
| | | | 294 | 285 | 9 | 294 | 285 | 9 |
| | | | 203,568 | 129,826 | 73,742 | 203,568 | 129,826 | 73,742 |
| | | | 15,182 | 12,888 | 2,294 | 15,182 | 12,888 | 2,294 |
| | | | 227,498 | 144,430 | 83,068 | 227,498 | 144,430 | 83,068 |
| 3,941 | 3,936 | 5 | 496,375 | 322,571 | 173,804 | 545,613 | 368,372 | 177,241 |
| | 123 | | | 163,663 | | | 164,482 | |
| | 15,047 | | | 160,895 | | | 277,960 | |
| | | | | (130,719) | | | (130,843) | |
| | 112 | | | (1,837) | | | 23,882 | |
| \$ | \$ 15,282 | \$ | \$ | \$ 192,002 | \$ | \$ | \$ 335,481 | \$ |



INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

Fleet Management Fund - accounts for expenses incurred and reimbursements received by the Transportation Cabinet for the management and maintenance of the state's motor vehicle fleet.

Computer Services Fund - accounts for expenses incurred and reimbursements received by the Department of Information Systems for computer and related data processing services.

Central Stores Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Central Stores operation.

Telecommunications Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Telecommunications for Kentucky Emergency Warning System, telephone, and other communication services.

Prison Industries Fund - accounts for expenses incurred and reimbursements received by the Correction Cabinet's industrial prison operations.

Central Printing Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Printing.

Property Management Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's space rental and maintenance operation.

Risk Management Fund - accounts for the self insurance operations of the State which include:

Fire and Tornado Insurance Program - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

State Workers' Compensation Program - accounts for monies received by the Department of Personnel from State agencies and expended for claims for job related injuries to State employees.

Transportation Cabinet's Self-Insured Workers' Compensation Trust Program - provides workers' compensation insurance for the employees of the Transportation Cabinet.

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1998**

(Expressed in Thousands)

| ASSETS | Fleet Management | Computer Services | Central Stores |
|------------------------------------|-----------------------------|------------------------------|---------------------------|
| CURRENT ASSETS: | | | |
| CASH AND CASH EQUIVALENTS | \$ 142 | \$ 670 | \$ |
| RECEIVABLES, NET | 29 | 195 | |
| INTERFUND RECEIVABLES | 357 | 4,838 | |
| INVENTORIES | | 351 | |
| PREPAID EXPENSES | | 751 | |
| TOTAL CURRENT ASSETS | 528 | 6,805 | |
| OTHER ASSETS: | | | |
| LONG-TERM INVESTMENTS | 1,634 | 1,391 | |
| TOTAL OTHER ASSETS | 1,634 | 1,391 | |
| FIXED ASSETS: | | | |
| LAND | | | |
| IMPROVEMENTS OTHER THAN BUILDINGS | | 356 | |
| BUILDINGS | | 6,920 | |
| MACHINERY AND EQUIPMENT | 70,986 | 62,917 | |
| LESS: ACCUMULATED DEPRECIATION | (37,274) | (61,653) | |
| CONSTRUCTION IN PROGRESS | | | |
| TOTAL FIXED ASSETS, NET | 33,712 | 8,540 | |
| TOTAL ASSETS | \$ 35,874 | \$ 16,736 | \$ |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| ACCOUNTS PAYABLE | \$ 287 | \$ 4,314 | \$ |
| INTERFUND PAYABLES | 214 | 908 | |
| CLAIMS LIABILITY | | | |
| CAPITAL LEASE OBLIGATIONS | 1,759 | 352 | |
| COMPENSATED ABSENCES | | 2,080 | |
| DEFERRED REVENUE | 17 | 2,023 | |
| TOTAL CURRENT LIABILITIES | 2,277 | 9,677 | |
| LONG-TERM LIABILITIES: | | | |
| CLAIMS LIABILITY | | | |
| CAPITAL LEASE OBLIGATIONS | 3,352 | 178 | |
| COMPENSATED ABSENCES | | 1,644 | |
| TOTAL LONG-TERM LIABILITIES | 3,352 | 1,822 | |
| TOTAL LIABILITIES | 5,629 | 11,499 | |
| FUND EQUITY: | | | |
| CONTRIBUTED CAPITAL | 11,067 | | |
| RETAINED EARNINGS: | | | |
| UNRESERVED | 19,178 | 5,237 | |
| TOTAL FUND EQUITY | 30,245 | 5,237 | |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 35,874 | \$ 16,736 | \$ |

| <u>Prison Industries</u> | <u>Central Printing</u> | <u>Property Management</u> | <u>Risk Management</u> | <u>Totals June 30, 1998</u> |
|------------------------------|-----------------------------|--------------------------------|----------------------------|---------------------------------|
| \$ 1,153 | \$ 246 | \$ 988 | \$ 1,679 | \$ 4,878 |
| 204 | 12 | 103 | 1,311 | 1,854 |
| 2,058 | 352 | 175 | 13 | 7,793 |
| 3,434 | 288 | | | 4,073 |
| | | | 626 | 1,377 |
| <u>6,849</u> | <u>898</u> | <u>1,266</u> | <u>3,629</u> | <u>19,975</u> |
| 819 | 175 | 709 | 19,997 | 24,725 |
| <u>819</u> | <u>175</u> | <u>709</u> | <u>19,997</u> | <u>24,725</u> |
| 768 | | 269 | | 1,037 |
| | | 11 | | 367 |
| 2,760 | | 755 | | 10,435 |
| 3,846 | 1,544 | 1,443 | | 140,736 |
| (4,238) | (1,268) | (1,174) | | (105,607) |
| 10 | | | | 10 |
| <u>3,146</u> | <u>276</u> | <u>1,304</u> | | <u>46,978</u> |
| <u>\$ 10,814</u> | <u>\$ 1,349</u> | <u>\$ 3,279</u> | <u>\$ 23,626</u> | <u>\$ 91,678</u> |
| \$ 713 | \$ 227 | \$ 796 | \$ 1,712 | \$ 8,049 |
| 56 | 4 | 175 | 2,433 | 3,790 |
| | | | 13,914 | 13,914 |
| | 39 | | | 2,150 |
| 171 | 157 | 574 | 22 | 3,004 |
| <u>329</u> | <u>2</u> | <u>7</u> | <u>72</u> | <u>2,450</u> |
| <u>1,269</u> | <u>429</u> | <u>1,552</u> | <u>18,153</u> | <u>33,357</u> |
| | | | 62,689 | 62,689 |
| | 7 | | | 3,537 |
| <u>166</u> | <u>156</u> | <u>540</u> | | <u>2,506</u> |
| <u>166</u> | <u>163</u> | <u>540</u> | <u>62,689</u> | <u>68,732</u> |
| <u>1,435</u> | <u>592</u> | <u>2,092</u> | <u>80,842</u> | <u>102,089</u> |
| 238 | | 492 | | 11,797 |
| <u>9,141</u> | <u>757</u> | <u>695</u> | <u>(57,216)</u> | <u>(22,208)</u> |
| <u>9,379</u> | <u>757</u> | <u>1,187</u> | <u>(57,216)</u> | <u>(10,411)</u> |
| <u>\$ 10,814</u> | <u>\$ 1,349</u> | <u>\$ 3,279</u> | <u>\$ 23,626</u> | <u>\$ 91,678</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | Fleet Management | Computer Services | Central Stores |
|--|---------------------|----------------------|-------------------|
| OPERATING REVENUES: | | | |
| CHARGES FOR SERVICES | \$ 18,659 | \$ 44,402 | \$ 3,559 |
| OTHER REVENUES | 111 | 8 | |
| TOTAL OPERATING REVENUE | <u>18,770</u> | <u>44,410</u> | <u>3,559</u> |
| OPERATING EXPENSES: | | | |
| PERSONAL SERVICES | 1,474 | 29,196 | 143 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 2,360 | 9,965 | 322 |
| COMMODITIES AND SUPPLIES | 4,743 | 1,235 | 3,929 |
| GRANTS AND SUBSIDIES | | | |
| DEPRECIATION AND AMORTIZATION | 8,460 | 2,484 | |
| TRAVEL | 2 | 161 | |
| REINSURANCE EXPENSE | | | |
| CLAIMS EXPENSE | | | |
| TOTAL OPERATING EXPENSES | <u>17,039</u> | <u>43,041</u> | <u>4,394</u> |
| OPERATING INCOME (LOSS) | <u>1,731</u> | <u>1,369</u> | <u>(835)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| GAIN (LOSS) ON SALE OF FIXED ASSETS | 854 | (21) | |
| INTEREST AND OTHER INVESTMENT INCOME | | | |
| INTEREST EXPENSE | (310) | (144) | |
| OTHER REVENUE (EXPENSES) | | | |
| TOTAL NONOPERATING REVENUES AND EXPENSES | <u>544</u> | <u>(165)</u> | |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 2,275 | 1,204 | (835) |
| OPERATING TRANSFERS IN | | | |
| OPERATING TRANSFERS OUT | | <u>(435)</u> | |
| NET INCOME (LOSS) | 2,275 | 769 | (835) |
| ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS | <u>5,725</u> | | |
| INCREASE (DECREASE) IN RETAINED EARNINGS | 8,000 | 769 | (835) |
| RETAINED EARNINGS AT JULY 1, AS RESTATED | 11,178 | 4,468 | 1,790 |
| RESIDUAL EQUITY TRANSFER IN (OUT) | | | <u>(955)</u> |
| RETAINED EARNINGS AT JUNE 30 | <u>\$ 19,178</u> | <u>\$ 5,237</u> | <u>\$</u> |

| Prison Industries | Central Printing | Property Management | Risk Management | Totals June 30, 1998 |
|--------------------------|-------------------------|----------------------------|------------------------|---------------------------------|
| \$ 12,545 | \$ 4,922 | \$ 15,404 | \$ 24,787 | \$ 124,278 |
| 14 | 1 | 87 | 403 | 624 |
| <u>12,559</u> | <u>4,923</u> | <u>15,491</u> | <u>25,190</u> | <u>124,902</u> |
| 2,858 | 2,224 | 9,688 | 1,150 | 46,733 |
| 652 | 1,409 | 7,005 | 1,315 | 23,028 |
| 7,483 | 1,384 | 2,379 | 34 | 21,187 |
| 755 | | 3 | | 758 |
| 312 | 121 | 153 | | 11,530 |
| 57 | 1 | 134 | 19 | 374 |
| | | | 1,860 | 1,860 |
| | | 1 | 18,221 | 18,222 |
| <u>12,117</u> | <u>5,139</u> | <u>19,363</u> | <u>22,599</u> | <u>123,692</u> |
| 442 | (216) | (3,872) | 2,591 | 1,210 |
| (38) | (3) | 1 | | 793 |
| | (6) | | | (460) |
| 6 | | | | 6 |
| <u>(32)</u> | <u>(9)</u> | <u>1</u> | | <u>339</u> |
| 410 | (225) | (3,871) | 2,591 | 1,549 |
| 6 | 84 | 2,738 | | 2,828 |
| | (83) | (490) | (2,548) | (3,556) |
| 416 | (224) | (1,623) | 43 | 821 |
| 42 | | 26 | | 5,793 |
| 458 | (224) | (1,597) | 43 | 6,614 |
| 8,683 | 981 | 2,292 | (57,259) | (27,867) |
| | | | | (955) |
| <u>\$ 9,141</u> | <u>\$ 757</u> | <u>\$ 695</u> | <u>\$ (57,216)</u> | <u>\$ (22,208)</u> |

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Fleet Management | Computer Services | Central Stores |
|---|---------------------|----------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH RECEIVED FROM CUSTOMERS - PUBLIC | \$ | \$ 119 | \$ |
| CASH RECEIVED FROM CUSTOMERS - STATE | 19,251 | 45,155 | 3,596 |
| CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES | (7,263) | (11,403) | (3,078) |
| CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS | (1,472) | (29,114) | (210) |
| CASH PAYMENTS FOR CLAIMS EXPENSE | | | |
| CASH PAYMENTS (TO) FROM OTHER SOURCES | 111 | 8 | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>10,627</u> | <u>4,765</u> | <u>308</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| RESIDUAL EQUITY TRANSFER IN (OUT) | | | (955) |
| OPERATING TRANSFERS-IN FROM OTHER FUNDS | | | |
| OPERATING TRANSFERS-OUT TO OTHER FUNDS | | (435) | |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | | <u>(435)</u> | <u>(955)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS | (9,763) | (1,894) | |
| PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS | (1,671) | (3,019) | |
| INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS | (310) | (144) | |
| PROCEEDS FROM SALE OF EQUIPMENT | 853 | | 170 |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(10,891)</u> | <u>(5,057)</u> | <u>170</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | |
| PURCHASE OF INVESTMENT SECURITIES | (176) | (195) | |
| PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES | | | 224 |
| INTEREST AND DIVIDENDS ON INVESTMENTS | | | |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(176)</u> | <u>(195)</u> | <u>224</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (440) | (922) | (253) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 582 | 1,592 | 253 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 142</u> | <u>\$ 670</u> | <u>\$</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| OPERATING INCOME (LOSS) | \$ 1,731 | \$ 1,369 | \$ (835) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| DEPRECIATION AND AMORTIZATION | 8,460 | 2,484 | |
| INTEREST AND OTHER INVESTMENT INCOME | | | |
| MISCELLANEOUS NONOPERATING INCOME (EXPENSES) | | | |
| CHANGE IN ASSETS AND LIABILITIES: | | | |
| (INCREASE) DECREASE IN ASSETS | | | |
| RECEIVABLES, NET | 107 | (1) | 11 |
| INTERFUND RECEIVABLES | 485 | (1,122) | 28 |
| INVENTORIES | | 121 | 1,483 |
| PREPAID EXPENSES | | (497) | |
| OTHER ASSETS | | | |
| INCREASE (DECREASE) IN LIABILITIES | | | |
| ACCOUNTS PAYABLE | (347) | 841 | (294) |
| INTERFUND PAYABLES | 187 | (668) | (16) |
| CLAIMS LIABILITY | | | |
| COMPENSATED ABSENCES | | 243 | (67) |
| OTHER LIABILITIES | | | |
| DEFERRED REVENUE | 4 | 1,995 | (2) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 10,627</u> | <u>\$ 4,765</u> | <u>\$ 308</u> |

THROUGH CONTRIBUTED CAPITAL PROPERTY MANAGEMENT ACQUIRED ASSETS COSTING \$39,(000). THROUGH CAPITAL LEASES COMPUTER SERVICES ACQUIRED FIXED ASSETS COSTING \$671,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$161,(000) AND \$14,(000), RESPECTIVELY.

| Prison Industries | Central Printing | Property Management | Risk Management | Totals June 30, 1998 |
|------------------------------|-----------------------------|--------------------------------|----------------------------|---------------------------------|
| \$ | \$ | \$ | \$ | \$ |
| 13,708 | 5,423 | 22 | 25,652 | 141 |
| (8,819) | (3,224) | 16,138 | (1,718) | 128,923 |
| (2,890) | (2,185) | (9,048) | (1,089) | (44,553) |
| | | (9,702) | (16,713) | (46,662) |
| (735) | 1 | (1) | (2,400) | (16,714) |
| 1,264 | 15 | 84 | 3,732 | (2,931) |
| | | (2,507) | | 18,204 |
| | | | | (955) |
| 6 | 84 | 2,738 | | 2,828 |
| | (83) | (490) | (2,548) | (3,556) |
| 6 | 1 | 2,248 | (2,548) | (1,683) |
| | | | | |
| (317) | (44) | (79) | | (12,097) |
| | (38) | | | (4,728) |
| | (6) | | | (460) |
| | | | | 1,023 |
| (317) | (88) | (79) | | (16,262) |
| | | | | |
| (377) | | | (5,310) | (6,058) |
| | 49 | 352 | | 625 |
| | | | 467 | 467 |
| (377) | 49 | 352 | (4,843) | (4,966) |
| | | | | |
| 576 | (23) | 14 | (3,659) | (4,707) |
| 577 | 269 | 974 | 5,338 | 9,585 |
| \$ 1,153 | \$ 246 | \$ 988 | \$ 1,679 | \$ 4,878 |
| | | | | |
| \$ 442 | \$ (216) | \$ (3,872) | \$ 2,591 | \$ 1,210 |
| | | | | |
| 312 | 121 | 153 | (467) | 11,530 |
| 6 | | | | (467) |
| | | | | 6 |
| | | | | |
| 50 | 59 | 20 | 772 | 1,018 |
| 830 | 551 | 735 | 64 | 1,571 |
| (479) | 17 | | 23 | 1,142 |
| | | | | (474) |
| | | | | |
| (191) | (50) | 216 | (5) | 170 |
| (14) | (398) | 120 | (376) | (1,165) |
| | | | 1,110 | 1,110 |
| 25 | 40 | 120 | | 361 |
| | | | | |
| 283 | (109) | 1 | 20 | 2,192 |
| \$ 1,264 | \$ 15 | \$ (2,507) | \$ 3,732 | \$ 18,204 |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------|---------------|-----------------|
| TRANSPORTATION - FLEET MANAGEMENT | | | |
| REVENUES: | | | |
| OTHER REVENUES | \$ | \$ 20,209 | \$ |
| TOTAL REVENUES | | 20,209 | |
| EXPENSES: | 21,033 | 20,398 | 635 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | (189) | |
| FUND EQUITY AT JULY 1 | | 2,205 | |
| FIXED ASSET ALLOCATIONS | | 32,895 | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 34,911 | \$ |
| GENERAL GOVERNMENT - COMPUTER SERVICES | | | |
| REVENUES: | | | |
| CHARGES FOR SERVICES | \$ | \$ 45,485 | \$ |
| OTHER REVENUES | | 13 | |
| TRANSFERS IN (INTERFUND) | | 1 | |
| TOTAL REVENUES | | 45,499 | |
| EXPENSES: | 47,759 | 44,758 | 3,001 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | 741 | |
| FUND EQUITY AT JULY 1 | | 11,338 | |
| NON-BUDGETED ITEMS | | (435) | |
| FIXED ASSET ALLOCATIONS | | (3,372) | |
| RESIDUAL EQUITY TRANSFERS | | 2,785 | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 11,057 | \$ |
| GENERAL GOVERNMENT - CENTRAL STORES | | | |
| REVENUES: | | | |
| CHARGES FOR SERVICES | \$ | \$ 3,560 | \$ |
| TOTAL REVENUES | | 3,560 | |
| EXPENSES: | 9,364 | 3,245 | 6,119 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | 315 | |
| FUND EQUITY AT JULY 1 | | 645 | |
| NON-BUDGETED ITEMS | | 31 | |
| FIXED ASSET ALLOCATIONS | | (36) | |
| RESIDUAL EQUITY TRANSFERS | | (955) | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 0 | \$ |
| JUSTICE - PRISON INDUSTRIES | | | |
| REVENUES: | | | |
| LICENSES, FEES, AND PERMITS | \$ | \$ 6 | |
| CHARGES FOR SERVICES | | 12,348 | \$ |
| INTEREST AND OTHER INVESTMENT INCOME | | 1 | |
| OTHER REVENUES | | 17 | |
| TRANSFERS IN (INTERFUND) | | 6 | |
| TOTAL REVENUES | | 12,378 | |
| EXPENSES: | 14,067 | 12,757 | 1,310 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | (379) | |
| FUND EQUITY AT JULY 1 | | 6,875 | |
| NON-BUDGETED ITEMS | | (1) | |
| FIXED ASSET ALLOCATIONS | | (417) | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 6,078 | \$ |

| | Budget | Actual | Variance |
|---|---------|-----------|----------|
| GENERAL GOVERNMENT - CENTRAL PRINTING | | | |
| REVENUES: | | | |
| CHARGES FOR SERVICES | \$ | \$ 4,814 | \$ |
| OTHER REVENUES | | 2 | |
| TRANSFERS IN (INTERFUND) | | 2 | |
| TOTAL REVENUES | | 4,818 | |
| EXPENSES: | 5,726 | 5,092 | 634 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | (274) | |
| FUND EQUITY AT JULY 1 | | 1,699 | |
| FIXED ASSET ALLOCATIONS | | (321) | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 1,104 | \$ |
| GENERAL GOVERNMENT - PROPERTY MANAGEMENT | | | |
| REVENUES: | | | |
| CHARGES FOR SERVICES | \$ | \$ 15,404 | \$ |
| OTHER REVENUES | | 93 | |
| TRANSFERS IN (INTERFUND) | | 495 | |
| TOTAL REVENUES | | 15,992 | |
| EXPENSES: | 17,990 | 16,847 | 1,143 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | (855) | |
| FUND EQUITY AT JULY 1 | | 4,026 | |
| FIXED ASSET ALLOCATIONS | | (322) | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 2,849 | \$ |
| GENERAL GOVERNMENT - RISK MANAGEMENT | | | |
| REVENUES: | | | |
| CHARGES FOR SERVICES | \$ | \$ 16,476 | \$ |
| INTEREST AND INVESTMENT INCOME | | 446 | |
| OTHER REVENUES | | 6,357 | |
| TRANSFERS IN (INTRAFUND) | | 1,560 | |
| TOTAL REVENUES | | 24,839 | |
| EXPENSES: | | | 0 |
| PERSONNEL CABINET | 16,879 | 14,196 | 2,683 |
| DEPARTMENT OF INSURANCE | 537 | 511 | 26 |
| TOTAL EXPENSES | 17,416 | 14,707 | 2,709 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | 10,132 | |
| FUND EQUITY AT JULY 1 | | 17,001 | |
| NON-BUDGETED ITEMS | | (7,826) | |
| FIXED ASSET ALLOCATIONS | | (22) | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 19,285 | \$ |
| TOTALS | | | |
| REVENUES: | | | |
| LICENSES, FEES, AND PERMITS | \$ | \$ 6 | \$ |
| CHARGES FOR SERVICES | | 98,087 | |
| INTEREST AND OTHER INVESTMENT INCOME | | 447 | |
| OTHER REVENUES | | 26,691 | |
| TRANSFERS IN | | 2,064 | |
| TOTAL REVENUES | | 127,295 | |
| EXPENSES: | | | |
| TRANSPORTATION | 21,033 | 20,398 | 635 |
| GENERAL GOVERNMENT | 97,718 | 84,138 | 13,580 |
| JUSTICE | 14,067 | 12,757 | 1,310 |
| PUBLIC PROTECTION AND REGULATION | 537 | 511 | 26 |
| TOTAL EXPENSES | 133,355 | 117,804 | 15,551 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | 9,491 | |
| FUND EQUITY AT JULY 1 | | 43,789 | |
| NON-BUDGETED ITEMS | | (8,231) | |
| FIXED ASSET ALLOCATIONS | | 28,405 | |
| RESIDUAL EQUITY TRANSFERS | | 1,830 | |
| FUND EQUITY AT JUNE 30 | \$ | \$ 75,284 | \$ |

TRUST AND AGENCY FUNDS

Kentucky utilizes four types of **Trust and Agency Funds** to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

Expendable Trust Funds account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes. Kentucky uses the following Expendable Trust Funds:

Unemployment Compensation Fund - accounts for assessed employer contributions and related unemployment compensation payments.

Special Benefits Fund - accounts for other fiduciary monies to be expended only for designated operations.

Pension Trust Funds account for monies received for and expenses incurred by the various public employe retirement systems administered by the State. Kentucky uses the following Pension Trust Funds:

Kentucky Employes Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time employes of any State department, board or agency directed by Executive Order to participate in the system.

State Police Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time officers of the Kentucky State Police.

County Employes Retirement System Fund - accounts for revenues and expenses of the retirement system that covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

Kentucky Retirement System Insurance Fund - accounts for accident and health insurance benefits for members of the Kentucky Employes, State Police and County Employes Retirement Systems.

Teachers' Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

Judicial Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators' Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all members of the General Assembly.

Agency Funds account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

Kentucky Health Purchasing Alliance - accounts for insurance premiums collected from various state and local government units through a third party administrator.

Commonwealth Choice - accounts for flexible benefits spending accounts.

County Sinking Fund - accounts for monies generated through the sale of bonds for specific uses by the counties.

Special Deposit Trust Fund - accounts for monies held by the Commonwealth and earmarked for specific purposes such as employee withholdings.

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1998**

(Expressed in Thousands)

| | Expendable Trust Funds | | |
|---|------------------------------|---------------------|----------------------|
| | Unemployment Compensation | Special Benefits | Pension Trust |
| ASSETS | | | |
| CASH AND CASH EQUIVALENTS | \$ 584 | \$ 23,917 | \$ 1,547,709 |
| CASH WITH FISCAL AGENTS | | | |
| CASH ON DEPOSIT WITH FEDERAL GOVERNMENT | 615,385 | | |
| INVESTMENTS, NET OF AMORTIZATION | | 656,747 | 23,016,538 |
| RECEIVABLES, NET | 30,921 | 4,149 | 230,342 |
| INTERFUND RECEIVABLES | 5 | 16,618 | |
| PREPAID EXPENSES | | | 179 |
| BUILDINGS | | | 2,583 |
| TOTAL ASSETS | <u>\$ 646,895</u> | <u>\$ 701,431</u> | <u>\$ 24,797,351</u> |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES: | | | |
| ACCOUNTS PAYABLE | \$ 1,781 | \$ 7,556 | \$ 62,588 |
| INTERFUND PAYABLES | 2 | 1,197 | |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | | | |
| DEFERRED REVENUE | 33,088 | 2,474 | |
| OTHER LIABILITIES | | | 1,937,105 |
| TOTAL LIABILITIES | <u>34,871</u> | <u>11,227</u> | <u>1,999,693</u> |
| FUND EQUITY | | | |
| FUND BALANCE: | | | |
| RESERVED FOR: | | | |
| EMPLOYEE RETIREMENT SYSTEMS | | | 22,096,895 |
| RETIREE'S HEALTH INSURANCE | | | 700,763 |
| UNRESERVED: | | | |
| UNDESIGNATED | 612,024 | 690,204 | |
| TOTAL FUND EQUITY | <u>612,024</u> | <u>690,204</u> | <u>22,797,658</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 646,895</u> | <u>\$ 701,431</u> | <u>\$ 24,797,351</u> |

| Agency Funds | | | | |
|--|--------------------------------|------------------------|--------------------------|-------------------------|
| Kentucky Health Purchasing Alliance | Commonwealth Choice Program | County Sinking Fund | Special Deposit Trust | Totals June 30, 1998 |
| \$ 2,471 | \$ 6,325 | \$ 5 283 | \$ 99,692 | \$ 1,671,907 |
| | | 63 | 82,936 | 9,079 |
| | | 1 | 1,091 | 615,385 |
| | | | | 23,756,284 |
| | | | | 266,504 |
| | | | | 16,623 |
| | | | | 179 |
| | | | | 2,583 |
| <u>\$ 2,471</u> | <u>\$ 6,325</u> | <u>\$ 352</u> | <u>\$ 183,719</u> | <u>\$ 26,338,544</u> |
| \$ 2,471 | \$ 6,325 | \$ 352 | \$ 33 183,686 | \$ 71,925 |
| | | | | 1,232 |
| | | | | 192,834 |
| | | | | 35,562 |
| | | | | 1,937,105 |
| <u>2,471</u> | <u>6,325</u> | <u>352</u> | <u>183,719</u> | <u>2,238,658</u> |
| | | | | 22,096,895 |
| | | | | 700,763 |
| | | | | 1,302,228 |
| | | | | 24,099,886 |
| <u>\$ 2,471</u> | <u>\$ 6,325</u> | <u>\$ 352</u> | <u>\$ 183,719</u> | <u>\$ 26,338,544</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1998
(Expressed in Thousands)

| | Kentucky Employees Retirement System | | | |
|---------------------------------------|---|------------------------|---------------------|------------------------|
| | Non-Hazardous Duty | | Hazardous Duty | |
| | Pension Benefits | Healthcare Benefits | Pension Benefits | Healthcare Benefits |
| ASSETS | | | | |
| CASH AND SHORT-TERM INVESTMENTS | | | | |
| CASH | \$ | \$ | \$ | \$ |
| SHORT-TERM INVESTMENTS | 290,976 | 18,799 | 29,529 | 5,408 |
| TOTAL CASH AND SHORT-TERM INVESTMENTS | <u>\$ 290,976</u> | <u>\$ 18,799</u> | <u>\$ 29,529</u> | <u>\$ 5,408</u> |
| RECEIVABLES | | | | |
| INVESTMENTS - ACCOUNTS RECEIVABLE | \$ 63 | \$ 5 | \$ 2 | \$ 1 |
| INTEREST RECEIVABLE | 16,328 | 851 | 788 | 217 |
| ACCOUNTS RECEIVABLE | 15,373 | 3,523 | 4,375 | 590 |
| TOTAL RECEIVABLES | <u>\$ 31,764</u> | <u>\$ 4,379</u> | <u>\$ 5,165</u> | <u>\$ 808</u> |
| INVESTMENTS AT FAIR VALUE | | | | |
| CORPORATE AND GOVERNMENT BONDS | \$ 867,544 | \$ 48,357 | \$ 44,789 | \$ 12,465 |
| COMMON STOCKS | 3,523,340 | 168,151 | 147,666 | 43,068 |
| MORTGAGES | 258,377 | 10,824 | 9,801 | 2,747 |
| REAL ESTATE | 88,919 | | 1,758 | |
| TOTAL INVESTMENTS AT FAIR VALUE | <u>\$ 4,738,180</u> | <u>\$ 227,332</u> | <u>\$ 204,014</u> | <u>\$ 58,280</u> |
| INVESTED SECURITY COLLATERAL | 608,395 | 47,308 | 29,003 | 12,419 |
| FIXED ASSETS, NET | | | | |
| PREPAID EXPENSES | | | | |
| TOTAL ASSETS | <u>\$ 5,669,315</u> | <u>\$ 297,818</u> | <u>\$ 267,711</u> | <u>\$ 76,915</u> |
| LIABILITIES | | | | |
| INVESTMENT - ACCOUNTS PAYABLE | \$ | \$ 112 | \$ | \$ |
| ACCOUNTS PAYABLE | 7,920 | | 3,634 | 26 |
| OBLIGATIONS UNDER SECURITIES LENDING | 608,395 | 47,308 | 29,003 | 12,419 |
| TOTAL LIABILITIES | <u>616,315</u> | <u>47,420</u> | <u>32,637</u> | <u>12,445</u> |
| NET ASSETS HELD FOR: | | | | |
| EMPLOYEE RETIREMENT BENEFITS | 5,053,000 | | 235,074 | |
| RETIREE'S HEALTH INSURANCE | <u>\$</u> | <u>\$ 250,398</u> | <u>\$</u> | <u>\$ 64,470</u> |

| State Police Retirement System | | County Employees Retirement System | | | |
|--------------------------------|---------------------|------------------------------------|---------------------|---------------------|---------------------|
| Pension Benefits | Healthcare Benefits | Non-Hazardous Duty | | Hazardous Duty | |
| | | Pension Benefits | Healthcare Benefits | Pension Benefits | Healthcare Benefits |
| \$ 17,660 | \$ 3,458 | \$ 219,082 | \$ 16,368 | \$ 71,279 | \$ 8,439 |
| <u>\$ 17,660</u> | <u>\$ 3,458</u> | <u>\$ 219,082</u> | <u>\$ 16,368</u> | <u>\$ 71,279</u> | <u>\$ 8,439</u> |
| \$ 4 | \$ 1 | \$ 47 | \$ 4 | \$ 12 | \$ 2 |
| 1,164 | 169 | 13,250 | 664 | 3,539 | 347 |
| 870 | 452 | 24,342 | 3,167 | 10,277 | 1,297 |
| <u>\$ 2,038</u> | <u>\$ 622</u> | <u>\$ 37,639</u> | <u>\$ 3,835</u> | <u>\$ 13,828</u> | <u>\$ 1,646</u> |
| \$ 56,991 | \$ 9,716 | \$ 707,411 | \$ 37,674 | \$ 194,195 | \$ 19,542 |
| 263,146 | 33,562 | 2,645,194 | 133,972 | 716,250 | 69,349 |
| 16,851 | 2,084 | 182,755 | 8,721 | 49,788 | 4,571 |
| 7,147 | | 49,988 | | 12,953 | |
| <u>\$ 344,135</u> | <u>\$ 45,362</u> | <u>\$ 3,585,348</u> | <u>\$ 180,367</u> | <u>\$ 973,186</u> | <u>\$ 93,462</u> |
| 43,741 | 9,454 | 480,441 | 37,636 | 130,779 | 19,440 |
| <u>\$ 407,574</u> | <u>\$ 58,896</u> | <u>\$ 4,322,510</u> | <u>\$ 238,206</u> | <u>\$ 1,189,072</u> | <u>\$ 122,987</u> |
| \$ 515 | \$ 23 | \$ 5,566 | \$ 86 | \$ 1,686 | \$ 43 |
| 43,741 | 9,454 | 480,441 | 37,636 | 130,779 | 19,440 |
| <u>44,256</u> | <u>9,477</u> | <u>486,007</u> | <u>37,722</u> | <u>132,465</u> | <u>19,483</u> |
| 363,318 | | 3,836,503 | | 1,056,607 | |
| <u>\$ 363,318</u> | <u>\$ 49,419</u> | <u>\$ 3,836,503</u> | <u>\$ 200,484</u> | <u>\$ 1,056,607</u> | <u>\$ 103,504</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1998
(Expressed in Thousands)

| | Teachers' Retirement System | | Judicial Retirement System | Legislators' Retirement System | Totals June 30, 1998 |
|---------------------------------------|-----------------------------------|------------------------|----------------------------------|--------------------------------------|-------------------------|
| | Pension Benefits | Healthcare Benefits | Pension Benefits | Pension Benefits | |
| ASSETS | | | | | |
| CASH AND SHORT-TERM INVESTMENTS | | | | | |
| CASH | \$ (564) | \$ | \$ 1 | \$ 1 | \$ (562) |
| SHORT-TERM INVESTMENTS | 818,570 | 36,030 | 10,479 | 2,194 | 1,548,271 |
| TOTAL CASH AND SHORT-TERM INVESTMENTS | \$ 818,006 | \$ 36,030 | \$ 10,480 | \$ 2,195 | \$ 1,547,709 |
| RECEIVABLES | | | | | |
| INVESTMENTS - ACCCOUNTS RECEIVABLE | \$ 99,976 | \$ | \$ | \$ | \$ 100,117 |
| INTEREST RECEIVABLE | | | 1,263 | 306 | 38,886 |
| ACCOUNTS RECEIVABLE | 25,268 | 1,759 | 46 | | 91,339 |
| TOTAL RECEIVABLES | \$ 125,244 | \$ 1,759 | \$ 1,309 | \$ 306 | \$ 230,342 |
| INVESTMENTS AT FAIR VALUE | | | | | |
| CORPORATE AND GOVERNMENT BONDS | \$ 4,116,550 | \$ | \$ 77,469 | \$ 18,715 | \$ 6,211,418 |
| COMMON STOCKS | 5,854,495 | | 129,430 | 34,823 | 13,762,446 |
| MORTGAGES | 212,605 | | | | 759,124 |
| REAL ESTATE | 185,680 | | | | 346,445 |
| TOTAL INVESTMENTS AT FAIR VALUE | \$ 10,369,330 | \$ | \$ 206,899 | \$ 53,538 | \$ 21,079,433 |
| INVESTED SECURITY COLLATERAL | 518,489 | | | | 1,937,105 |
| FIXED ASSETS, NET | 2,583 | | | | 2,583 |
| PREPAID EXPENSES | 179 | | | | 179 |
| TOTAL ASSETS | \$ 11,833,831 | \$ 37,789 | \$ 218,688 | \$ 56,039 | \$ 24,797,351 |
| LIABILITIES | | | | | |
| INVESTMENT - ACCOUNTS PAYABLE | \$ 35,674 | \$ | \$ | \$ | \$ 35,786 |
| ACCOUNTS PAYABLE | 2,002 | 5,301 | | | 26,802 |
| OBLIGATIONS UNDER SECURITIES LENDING | 518,489 | | | | 1,937,105 |
| TOTAL LIABILITIES | \$ 556,165 | \$ 5,301 | | | \$ 1,999,693 |
| NET ASSETS HELD FOR: | | | | | |
| EMPLOYEE RETIREMENT BENEFITS | 11,277,666 | | 218,688 | 56,039 | 22,096,895 |
| RETIREE'S HEALTH INSURANCE | \$ | \$ 32,488 | \$ | \$ | \$ 700,763 |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | Unemployment Compensation | Special Benefits | Totals June 30, 1998 |
|--|------------------------------|---------------------|-------------------------|
| REVENUES: | | | |
| TAXES | \$ 245,804 | \$ 97 | \$ 245,901 |
| INTERGOVERNMENTAL | 16,370 | | 16,370 |
| CHARGES FOR SERVICES | 8 | 171 | 179 |
| INTEREST AND OTHER INVESTMENT INCOME | 38,533 | 62,046 | 100,579 |
| OTHER REVENUES | 1,321 | 28,659 | 29,980 |
| TOTAL REVENUES | <u>302,036</u> | <u>90,973</u> | <u>393,009</u> |
| EXPENDITURES: | | | |
| GENERAL GOVERNMENT | | 62,672 | 62,672 |
| LEGISLATIVE AND JUDICIAL | | 6 | 6 |
| COMMERCE | | 11 | 11 |
| EDUCATION AND HUMANITIES | 199,006 | 9,033 | 208,039 |
| HUMAN RESOURCES | | 3,848 | 3,848 |
| TRANSPORTATION | | 405 | 405 |
| TOTAL EXPENDITURES | <u>199,006</u> | <u>75,975</u> | <u>274,981</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>103,030</u> | <u>14,998</u> | <u>118,028</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| OPERATING TRANSFERS IN | | 84,361 | 84,361 |
| OPERATING TRANSFERS OUT | (1,734) | (13,722) | (15,456) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,734)</u> | <u>70,639</u> | <u>68,905</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 101,296 | 85,637 | 186,933 |
| FUND BALANCES AT JULY 1, AS RESTATED | 510,728 | 604,567 | 1,115,295 |
| FUND BALANCES AT JUNE 30 | <u>\$ 612,024</u> | <u>\$ 690,204</u> | <u>\$ 1,302,228</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1998
(Expressed in Thousands)

| | Kentucky Employees Retirement System | | | |
|---|---|------------------------|---------------------|------------------------|
| | Non-Hazardous Duty | | Hazardous Duty | |
| | Pension Benefits | Healthcare Benefits | Pension Benefits | Healthcare Benefits |
| ADDITIONS | | | | |
| CONTRIBUTIONS | | | | |
| EMPLOYER | \$ 112,188 | \$ 39,504 | \$ 16,033 | \$ 6,632 |
| EMPLOYEE | 67,595 | | 6,520 | |
| TOTAL CONTRIBUTIONS | <u>179,783</u> | <u>39,504</u> | <u>22,553</u> | <u>6,632</u> |
| INVESTMENT INCOME | | | | |
| NET APPRECIATION IN FAIR VALUE OF INVESTMENTS | 757,631 | 34,974 | 30,169 | 8,642 |
| INTEREST | 90,047 | 4,230 | 4,681 | 1,161 |
| DIVIDENDS | 51,089 | 2,414 | 2,172 | 600 |
| REAL ESTATE OPERATING INCOME, NET | 10,949 | | 561 | |
| SECURITIES LENDING INCOME | 34,597 | 1,574 | 1,464 | 368 |
| TOTAL INVESTMENT INCOME | <u>944,313</u> | <u>43,192</u> | <u>39,047</u> | <u>10,771</u> |
| LESS: INVESTMENT EXPENSE | 2,597 | 32 | 115 | 8 |
| LESS: SECURITIES LENDING EXPENSE | 33,794 | 1,537 | 1,430 | 359 |
| NET INVESTMENT INCOME | <u>907,922</u> | <u>41,623</u> | <u>37,502</u> | <u>10,404</u> |
| TOTAL ADDITIONS | <u>1,087,705</u> | <u>81,127</u> | <u>60,055</u> | <u>17,036</u> |
| DEDUCTIONS | | | | |
| BENEFIT PAYMENTS | 189,407 | | 4,163 | |
| REFUNDS | 8,155 | | 1,041 | |
| ADMINISTRATIVE EXPENSES | 2,440 | | 188 | |
| OTHER DEDUCTIONS, NET | 39,505 | 23,395 | 6,630 | 1,126 |
| TOTAL DEDUCTIONS | <u>239,507</u> | <u>23,395</u> | <u>12,022</u> | <u>1,126</u> |
| NET INCREASE (DECREASE) | 848,198 | 57,732 | 48,033 | 15,910 |
| NET ASSETS HELD IN TRUST | | | | |
| BEGINNING OF YEAR | 4,204,802 | 192,666 | 187,041 | 48,560 |
| END OF YEAR | <u>\$ 5,053,000</u> | <u>\$ 250,398</u> | <u>\$ 235,074</u> | <u>\$ 64,470</u> |

| State Police Retirement System | | County Employees Retirement System | | | |
|--------------------------------|---------------------|------------------------------------|---------------------|---------------------|---------------------|
| Pension Benefits | Healthcare Benefits | Non-Hazardous Duty | | Hazardous Duty | |
| | | Pension Benefits | Healthcare Benefits | Pension Benefits | Healthcare Benefits |
| \$ 9,574 | \$ 5,120 | \$ 107,526 | \$ 29,271 | \$ 42,298 | \$ 14,275 |
| 2,711 | | 74,382 | | 16,581 | |
| <u>12,285</u> | <u>5,120</u> | <u>181,908</u> | <u>29,271</u> | <u>58,879</u> | <u>14,275</u> |
| 56,126 | 6,977 | 559,935 | 27,525 | 149,615 | 14,306 |
| 6,297 | 861 | 66,631 | 3,450 | 19,096 | 1,786 |
| 3,808 | 476 | 38,581 | 1,893 | 10,665 | 982 |
| 877 | | 8,122 | | 2,234 | |
| 2,407 | 288 | 25,961 | 1,256 | 7,050 | 614 |
| <u>69,515</u> | <u>8,602</u> | <u>699,230</u> | <u>34,124</u> | <u>188,660</u> | <u>17,688</u> |
| 187 | 6 | 1,940 | 25 | 552 | 13 |
| 2,351 | 281 | 25,358 | 1,226 | 6,887 | 600 |
| <u>66,977</u> | <u>8,315</u> | <u>671,932</u> | <u>32,873</u> | <u>181,221</u> | <u>17,075</u> |
| <u>79,262</u> | <u>13,435</u> | <u>853,840</u> | <u>62,144</u> | <u>240,100</u> | <u>31,350</u> |
| 17,735 | | 104,353 | | 38,052 | |
| 70 | | 9,234 | | 939 | |
| 47 | | 3,680 | | 350 | |
| 5,120 | 2,611 | 29,276 | 15,600 | 14,273 | 7,538 |
| <u>22,972</u> | <u>2,611</u> | <u>146,543</u> | <u>15,600</u> | <u>53,614</u> | <u>7,538</u> |
| 56,290 | 10,824 | 707,297 | 46,544 | 186,486 | 23,812 |
| 307,028 | 38,595 | 3,129,206 | 153,940 | 870,120 | 79,692 |
| <u>\$ 363,318</u> | <u>\$ 49,419</u> | <u>\$ 3,836,503</u> | <u>\$ 200,484</u> | <u>\$ 1,056,606</u> | <u>\$ 103,504</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1998
(Expressed in Thousands)

| | Teachers' Retirement System | | Judicial Retirement System | Legislators' Retirement System | Totals June 30, 1998 |
|---|-----------------------------------|------------------------|----------------------------------|--------------------------------------|-------------------------|
| | Pension Benefits | Healthcare Benefits | Pension Benefits | Pension Benefits | |
| ADDITIONS | | | | | |
| CONTRIBUTIONS | | | | | |
| EMPLOYER | \$ 294,323 | \$ 35,170 | \$ 5,652 | \$ 1,739 | \$ 719,305 |
| EMPLOYEE | 185,010 | 33,137 | 1,042 | 168 | 387,146 |
| TOTAL CONTRIBUTIONS | 479,333 | 68,307 | 6,694 | 1,907 | 1,106,451 |
| INVESTMENT INCOME | | | | | |
| NET APPRECIATION IN FAIR VALUE OF INVESTMENTS | 1,416,472 | | 28,392 | 7,171 | 3,097,935 |
| INTEREST | 317,264 | 1,649 | 5,165 | 1,341 | 523,659 |
| DIVIDENDS | 83,935 | | 1,803 | 407 | 198,825 |
| REAL ESTATE OPERATING INCOME, NET | 17,403 | | | | 40,146 |
| SECURITIES LENDING INCOME | 27,213 | | | | 102,792 |
| TOTAL INVESTMENT INCOME | 1,862,287 | 1,649 | 35,360 | 8,919 | 3,963,357 |
| LESS: INVESTMENT EXPENSE | 3,543 | | 105 | 12 | 9,135 |
| LESS: SECURITIES LENDING EXPENSE | 26,560 | | | | 100,383 |
| NET INVESTMENT INCOME | 1,832,184 | 1,649 | 35,255 | 8,907 | 3,853,839 |
| TOTAL ADDITIONS | 2,311,517 | 69,956 | 41,949 | 10,814 | 4,960,290 |
| DEDUCTIONS | | | | | |
| BENEFIT PAYMENTS | 491,442 | | 6,022 | 1,746 | 852,920 |
| REFUNDS | 9,523 | 3 | 18 | | 28,983 |
| ADMINISTRATIVE EXPENSES | 3,997 | 2,602 | 172 | 98 | 13,574 |
| OTHER DEDUCTIONS, NET | | 59,984 | | | 205,058 |
| TOTAL DEDUCTIONS | 504,962 | 62,589 | 6,212 | 1,844 | 1,100,535 |
| NET INCREASE (DECREASE) | 1,806,555 | 7,367 | 35,737 | 8,970 | 3,859,755 |
| NET ASSETS HELD IN TRUST | | | | | |
| BEGINNING OF YEAR | 9,471,111 | 25,121 | 182,951 | 47,069 | 18,937,902 |
| END OF YEAR | \$ 11,277,666 | \$ 32,488 | \$ 218,688 | \$ 56,039 | \$ 22,797,657 |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>Balance</u> <u>July 1, 1997</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 1998</u> |
|--|---------------------------------------|-------------------|-------------------|--|
| KENTUCKY HEALTH PURCHASING ALLIANCE | | | | |
| <u>ASSETS</u> | | | | |
| CASH WITH FISCAL AGENTS | \$ 11,698 | \$ 501,271 | \$ 510,498 | \$ 2,471 |
| TOTAL ASSETS | <u>\$ 11,698</u> | <u>\$ 501,271</u> | <u>\$ 510,498</u> | <u>\$ 2,471</u> |
| <u>LIABILITIES</u> | | | | |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | \$ 11,698 | \$ 501,271 | \$ 510,498 | \$ 2,471 |
| TOTAL LIABILITIES | <u>\$ 11,698</u> | <u>\$ 501,271</u> | <u>\$ 510,498</u> | <u>\$ 2,471</u> |
| COMMONWEALTH CHOICE PROGRAM | | | | |
| <u>ASSETS</u> | | | | |
| CASH WITH FISCAL AGENTS | \$ 3,968 | \$ 11,590 | \$ 9,233 | \$ 6,325 |
| TOTAL ASSETS | <u>\$ 3,968</u> | <u>\$ 11,590</u> | <u>\$ 9,233</u> | <u>\$ 6,325</u> |
| <u>LIABILITIES</u> | | | | |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | \$ 3,968 | \$ 11,590 | \$ 9,233 | \$ 6,325 |
| TOTAL LIABILITIES | <u>\$ 3,968</u> | <u>\$ 11,590</u> | <u>\$ 9,233</u> | <u>\$ 6,325</u> |
| COUNTY SINKING FUND | | | | |
| <u>ASSETS</u> | | | | |
| CASH & CASH EQUIVALENTS | \$ 18 | \$ 1,562 | \$ 1,575 | \$ 5 |
| CASH WITH FISCAL AGENTS | 283 | | | 283 |
| INVESTMENTS | 51 | 62 | 50 | 63 |
| ACCOUNTS RECEIVABLE | 1 | 1 | 1 | 1 |
| TOTAL ASSETS | <u>\$ 353</u> | <u>\$ 1,625</u> | <u>\$ 1,626</u> | <u>\$ 352</u> |
| <u>LIABILITIES</u> | | | | |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | \$ 353 | \$ 1,443 | \$ 1,444 | \$ 352 |
| TOTAL LIABILITIES | <u>\$ 353</u> | <u>\$ 1,443</u> | <u>\$ 1,444</u> | <u>\$ 352</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

| | <u>Balance</u> <u>July 1, 1997</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 1998</u> |
|--|---------------------------------------|---------------------|---------------------|--|
| <u>SPECIAL DEPOSIT TRUST FUND</u> | | | | |
| <u>ASSETS</u> | | | | |
| CASH & CASH EQUIVALENTS | \$ 109,363 | \$ 1,677,635 | \$ 1,687,306 | \$ 99,692 |
| INVESTMENTS | 78,626 | 74,317 | 70,007 | 82,936 |
| ACCOUNTS RECEIVABLE | 43 | 2,009 | 961 | 1,091 |
| INTERFUND RECEIVABLES | 212 | | 212 | |
| TOTAL ASSETS | <u>\$ 188,244</u> | <u>\$ 1,753,961</u> | <u>\$ 1,758,486</u> | <u>\$ 183,719</u> |
| <u>LIABILITIES</u> | | | | |
| INTERFUND PAYABLES | \$ 18 | \$ 33 | \$ 18 | \$ 33 |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | 188,226 | 1,523,040 | 1,527,580 | 183,686 |
| TOTAL LIABILITIES | <u>\$ 188,244</u> | <u>\$ 1,523,073</u> | <u>\$ 1,527,598</u> | <u>\$ 183,719</u> |
| | | | | |
| <u>ALL AGENCY FUNDS</u> | | | | |
| <u>ASSETS</u> | | | | |
| CASH & CASH EQUIVALENTS | \$ 109,381 | \$ 1,679,197 | \$ 1,688,881 | \$ 99,697 |
| CASH WITH FISCAL AGENTS | 15,949 | 512,861 | 519,731 | 9,079 |
| INVESTMENTS | 78,677 | 74,379 | 70,057 | 82,999 |
| ACCOUNTS RECEIVABLE | 44 | 2,010 | 962 | 1,092 |
| INTERFUND RECEIVABLES | 212 | | 212 | |
| TOTAL ASSETS | <u>\$ 204,263</u> | <u>\$ 2,268,447</u> | <u>\$ 2,279,843</u> | <u>\$ 192,867</u> |
| <u>LIABILITIES</u> | | | | |
| INTERFUND PAYABLES | 18 | 33 | 18 | 33 |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | 204,245 | 2,037,344 | 2,048,755 | 192,834 |
| TOTAL LIABILITIES | <u>\$ 204,263</u> | <u>\$ 2,037,377</u> | <u>\$ 2,048,773</u> | <u>\$ 192,867</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Unemployment Compensation | | |
|--|---------------------------|------------|----------|
| | Budget | Actual | Variance |
| REVENUES: | | | |
| INTERGOVERNMENTAL | \$ | \$ 16,370 | \$ |
| CHARGES FOR SERVICES | | 9 | |
| INTEREST AND OTHER INVESTMENT INCOME | | 38,533 | |
| EMPLOYER CONTRIBUTIONS | | 249,007 | |
| OTHER REVENUES | | 1,923 | |
| TRANSFERS IN (INTERFUND) | | 3,400 | |
| TOTAL REVENUES | | 309,242 | |
| EXPENDITURES: | | | |
| WORKFORCE DEVELOPMENT | | | |
| DEPARTMENT FOR EMPLOYMENT SERVICES - | | | |
| UNEMPLOYMENT INSURANCE BENEFITS | 241,800 | 240,727 | 1,073 |
| TOTAL WORKFORCE DEVELOPMENT | 241,800 | 240,727 | 1,073 |
| TOTAL EXPENDITURES | 241,800 | 240,727 | 1,073 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | 68,515 | |
| FUND BALANCE AT JULY 1 | | 550,531 | |
| NON-BUDGETED ITEMS | | (3,400) | |
| FUND BALANCE AT JUNE 30 | \$ | \$ 615,646 | \$ |

GENERAL FIXED ASSETS ACCOUNT GROUP

The **General Fixed Assets Account Group** accounts for the Commonwealth's fixed assets, except those related to the proprietary funds, trust funds, and discretely presented component units.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1998

(Expressed In Thousands)

| | <u>June 30, 1998</u> |
|---|----------------------|
| GENERAL FIXED ASSETS: | |
| LAND | \$ 80,847 |
| BUILDINGS | 751,136 |
| MACHINERY AND EQUIPMENT | 296,395 |
| CONSTRUCTION IN PROGRESS | 130,287 |
| TOTAL GENERAL FIXED ASSETS | <u>\$ 1,258,665</u> |
| | |
| INVESTMENT IN GENERAL FIXED ASSETS FROM: | |
| GENERAL FUND REVENUES | \$ 89,114 |
| SPECIAL REVENUE FUNDS REVENUE | 236,965 |
| DONATIONS | 68,931 |
| OTHER | 15,138 |
| CAPITAL PROJECTS FUND: | |
| STATE APPROPRIATIONS | 47,871 |
| REVENUE BONDS | 379,636 |
| FEDERAL GRANTS | 40,910 |
| OTHER | 3,089 |
| FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984 (A) | 377,011 |
| TOTAL INVESTMENT IN GENERAL FIXED ASSETS | <u>\$ 1,258,665</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1998

(Expressed in Thousands)

| FUNCTION AND ACTIVITY | Land | Buildings | Machinery and Equipment | Totals June 30, 1998 |
|---|------------------|-------------------|--|---------------------------------|
| GENERAL GOVERNMENT: | | | | |
| CABINET FOR GENERAL GOVERNMENT | \$ 6,131 | \$ 85,801 | \$ 8,678 | \$ 100,610 |
| REVENUE CABINET | | | 5,059 | 5,059 |
| FINANCE & ADMINISTRATION | 7,897 | 179,737 | 4,170 | 191,804 |
| PERSONNEL CABINET | | | 795 | 795 |
| TOTAL GENERAL GOVERNMENT | <u>14,028</u> | <u>265,538</u> | <u>18,702</u> | <u>298,268</u> |
| LEGISLATIVE & JUDICIAL | 55 | | 11,184 | 11,239 |
| COMMERCE: | | | | |
| ECONOMIC DEVELOPMENT CABINET | 15,186 | 21,507 | 235 | 36,928 |
| TOURISM CABINET | 25,862 | 7,080 | 14,437 | 47,379 |
| TOTAL COMMERCE | <u>41,048</u> | <u>28,587</u> | <u>14,672</u> | <u>84,307</u> |
| EDUCATION & HUMANITIES: | | | | |
| EDUCATION & HUMANITIES CABINET | 188 | 25,442 | 10,615 | 36,245 |
| WORKFORCE DEVELOPMENT CABINET | 4,760 | 97,376 | 37,807 | 139,943 |
| TOTAL EDUCATION & HUMANITIES | <u>4,948</u> | <u>122,818</u> | <u>48,422</u> | <u>176,188</u> |
| HUMAN RESOURCES | 3,175 | 78,492 | 16,195 | 97,862 |
| JUSTICE | 3,825 | 192,792 | 47,673 | 244,290 |
| NATURAL RESOURCES & ENVIRONMENTAL PROTECTION | 8,253 | 925 | 24,521 | 33,699 |
| PUBLIC PROTECTION & REGULATION: | | | | |
| PUBLIC PROTECTION & REGULATION CABINET | 47 | 220 | 2,449 | 2,716 |
| LABOR CABINET | | | 1,648 | 1,648 |
| TOTAL PUBLIC PROTECTION & REGULATION | <u>47</u> | <u>220</u> | <u>4,097</u> | <u>4,364</u> |
| TRANSPORTATION | 5,468 | 61,764 | 110,929 | 178,161 |
| TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS | 80,847 | 751,136 | 296,395 | 1,128,378 |
| CONSTRUCTION IN PROGRESS | | 130,287 | | 130,287 |
| TOTAL GENERAL FIXED ASSETS | <u>\$ 80,847</u> | <u>\$ 881,423</u> | <u>\$ 296,395</u> | <u>\$ 1,258,665</u> |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Balance June 30, 1997 | Additions | Retirements | Balance June 30, 1998 |
|---|--------------------------|-------------------|------------------|--------------------------|
| GENERAL GOVERNMENT: | | | | |
| CABINET FOR GENERAL GOVERNMENT | \$ 91,787 | \$ 9,340 | \$ 517 | \$ 100,610 |
| REVENUE CABINET | 5,156 | 69 | 166 | 5,059 |
| FINANCE & ADMINISTRATION | 133,341 | 58,477 | 14 | 191,804 |
| PERSONNEL CABINET | 635 | 238 | 78 | 795 |
| TOTAL GENERAL GOVERNMENT | <u>230,919</u> | <u>68,124</u> | <u>775</u> | <u>298,268</u> |
| LEGISLATIVE & JUDICIAL | 13,006 | 1,146 | 2,913 | 11,239 |
| COMMERCE: | | | | |
| ECONOMIC DEVELOPMENT CABINET | 36,945 | | 17 | 36,928 |
| TOURISM CABINET | 43,873 | 4,472 | 966 | 47,379 |
| TOTAL COMMERCE | <u>80,818</u> | <u>4,472</u> | <u>983</u> | <u>84,307</u> |
| EDUCATION & HUMANITIES: | | | | |
| EDUCATION & HUMANITIES CABINET | 40,862 | 626 | 5,243 | 36,245 |
| WORKFORCE DEVELOPMENT CABINET | 138,063 | 3,093 | 1,213 | 139,943 |
| TOTAL EDUCATION & HUMANITIES | <u>178,925</u> | <u>3,719</u> | <u>6,456</u> | <u>176,188</u> |
| HUMAN RESOURCES | 99,415 | 1,714 | 3,267 | 97,862 |
| JUSTICE | 234,234 | 13,968 | 3,912 | 244,290 |
| NATURAL RESOURCES & ENVIRONMENTAL PROTECTION | 33,327 | 3,116 | 2,744 | 33,699 |
| PUBLIC PROTECTION & REGULATION: | | | | |
| PUBLIC PROTECTION & REGULATION CABINET | 2,757 | 198 | 239 | 2,716 |
| LABOR CABINET | 1,607 | 99 | 58 | 1,648 |
| TOTAL PUBLIC PROTECTION & REGULATION | <u>4,364</u> | <u>297</u> | <u>297</u> | <u>4,364</u> |
| TRANSPORTATION | 169,253 | 15,709 | 6,801 | 178,161 |
| TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS | 1,044,261 | 112,265 | 28,148 | 1,128,378 |
| CONSTRUCTION IN PROGRESS | 167,473 | 31,314 | 68,500 | 130,287 |
| TOTAL GENERAL FIXED ASSETS | <u>\$ 1,211,734</u> | <u>\$ 143,579</u> | <u>\$ 96,648</u> | <u>\$ 1,258,665</u> |

COMPONENT UNITS

Component Units Funds account for the financial activities of the Commonwealth of Kentucky's component units, which have been determined to be legally separate from the State's primary government and for which the primary government is financially accountable. The Component Units are presented in three separate categories: Governmental Funds, Proprietary Funds and University and College Funds.

Governmental Funds

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

Proprietary Funds

Enterprise Funds

Kentucky State Fair Board - accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board.

Kentucky Center for the Arts - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

Kentucky Educational Television Authority - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

Kentucky Economic Development Finance Authority - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

Kentucky Higher Education Assistance Authority - established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

Kentucky Higher Education Student Loan Corporation - empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible postsecondary institutions, through direct loans to students and the purchase of student notes from lenders.

Kentucky Educational Savings Plan Trust - established by KRS 164A.310 to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation - authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

Kentucky Infrastructure Authority - established in 1988 by KRS 224A.030, as amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

Kentucky Agricultural Finance Corporation - created by the 1984 General Assembly to "improve and promote the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Kentucky Grain Insurance Corporation- provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

Kentucky Local Correctional Facilities Construction Authority - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

The **University and College Funds** account for all transactions relating to the eight State supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not a part of the central accounting system operated by the Finance and Administration Cabinet. The following component units are included:

Eastern Kentucky University
Kentucky State University
Morehead State University
Murray State University
Northern Kentucky University
University of Kentucky
University of Louisville
Western Kentucky University
Kentucky Community Technical College System

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 1998

(Expressed in Thousands)

| | Governmental Fund Types | Proprietary Fund Types | University and College Funds | Totals June 30, 1998 |
|--|----------------------------|---------------------------|---------------------------------|-------------------------|
| <u>ASSETS</u> | | | | |
| CURRENT ASSETS: | | | | |
| CASH AND CASH EQUIVALENTS | \$ | \$ 367,115 | \$ 442,273 | \$ 809,388 |
| RESTRICTED CASH | | 17,357 | | 17,357 |
| RECEIVABLES, NET | 281 | 57,050 | 293,148 | 350,479 |
| DUE FROM COMPONENT UNITS | | | 149,226 | 149,226 |
| INTEREST RECEIVABLE | | 18,209 | | 18,209 |
| INVENTORIES | | 569 | 25,480 | 26,049 |
| PREPAID EXPENSES | | 1,012 | | 1,012 |
| OTHER ASSETS | | 2 | 272,258 | 272,260 |
| TOTAL CURRENT ASSETS | 281 | 461,314 | 1,182,385 | 1,643,980 |
| OTHER ASSETS: | | | | |
| LONG-TERM INVESTMENTS | | 266,901 | 622,034 | 888,935 |
| LONG-TERM RECEIVABLES | | 1,534,702 | | 1,534,702 |
| DEFERRED CHARGES | | 21,784 | | 21,784 |
| RESTRICTED ASSETS | | 116,077 | | 116,077 |
| TOTAL OTHER ASSETS | | 1,939,464 | 622,034 | 2,561,498 |
| FIXED ASSETS: | | | | |
| LAND | | 14,983 | 74,355 | 89,338 |
| IMPROVEMENTS OTHER THAN BUILDINGS | | | 66,164 | 66,164 |
| BUILDINGS | | 209,171 | 1,964,014 | 2,173,185 |
| MACHINERY AND EQUIPMENT | 2 | 51,616 | 676,262 | 727,880 |
| LESS ACCUMULATED DEPRECIATION | | (125,435) | | (125,435) |
| CONSTRUCTION IN PROGRESS | | 26,327 | 101,155 | 127,482 |
| TOTAL FIXED ASSETS, NET | 2 | 176,662 | 2,881,950 | 3,058,614 |
| TOTAL ASSETS | \$ 283 | \$ 2,577,440 | \$ 4,686,369 | \$ 7,264,092 |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| ACCOUNTS PAYABLE | \$ 449 | \$ 68,027 | \$ 103,461 | \$ 171,937 |
| ACCRUED LIABILITIES | | | 69,343 | 69,343 |
| DUE TO COMPONENT UNITS | | | 149,344 | 149,344 |
| DUE TO PRIMARY GOVERNMENT | | 143 | | 143 |
| CAPITAL LEASE OBLIGATIONS | | 1,373 | | 1,373 |
| NOTES PAYABLE | | | | |
| BONDS PAYABLE | | 131,111 | | 131,111 |
| COMPENSATED ABSENCES | | 2,291 | | 2,291 |
| DEFERRED REVENUE | | 9,717 | 37,056 | 46,773 |
| AMOUNT HELD IN CUSTODY FOR OTHERS | | 7,134 | 3,701 | 10,835 |
| DEPOSITS AND ADVANCE PAYMENTS | | | 8,338 | 8,338 |
| OTHER LIABILITIES | | 10,262 | 71,630 | 81,892 |
| TOTAL CURRENT LIABILITIES | 449 | 230,058 | 442,873 | 673,380 |
| LONG-TERM LIABILITIES: | | | | |
| CAPITAL LEASE OBLIGATIONS | | 17,725 | 56,973 | 74,698 |
| NOTES PAYABLE | | 46,560 | 7,193 | 53,753 |
| BONDS PAYABLE | | 1,472,379 | 708,811 | 2,181,190 |
| COMPENSATED ABSENCES | | 942 | | 942 |
| OTHER LONG-TERM LIABILITIES | | 542 | | 542 |
| TOTAL LONG-TERM LIABILITIES | | 1,538,148 | 772,977 | 2,311,125 |
| TOTAL LIABILITIES | 449 | 1,768,206 | 1,215,850 | 2,984,505 |
| FUND EQUITY AND OTHER CREDITS: | | | | |
| CONTRIBUTED CAPITAL | | 104,583 | | 104,583 |
| INVESTMENT IN FIXED ASSETS | 2 | | 2,235,458 | 2,235,460 |
| RETAINED EARNINGS: | | | | |
| RESERVED FOR: | | | | |
| REVENUE BOND RETIREMENT | | 306,032 | | 306,032 |
| UNRESERVED | | 398,619 | | 398,619 |
| FUND BALANCE: | | | | |
| RESERVED FOR: | | | | |
| ENCUMBRANCES | | | 17,921 | 17,921 |
| CAPITAL OUTLAY | | | 277,217 | 277,217 |
| RESTRICTED GIFTS, GRANTS, AND CONTRACTS | | | 700,300 | 700,300 |
| UNRESERVED: | | | | |
| DESIGNATED FOR UNIVERSITIES AND COLLEGES | | | 239,623 | 239,623 |
| UNDESIGNATED | (168) | | | (168) |
| TOTAL FUND EQUITY | (166) | 809,234 | 3,470,519 | 4,279,587 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 283 | \$ 2,577,440 | \$ 4,686,369 | \$ 7,264,092 |

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - PROPRIETARY FUND TYPES
JUNE 30, 1998

(Expressed in Thousands)

| | Kentucky State Fair Board | Kentucky Center for the Arts | Kentucky Educational Television Authority | Kentucky Economic Development Finance Authority | Kentucky Higher Education Assistance Authority |
|------------------------------------|------------------------------------|---------------------------------------|--|---|--|
| <u>ASSETS</u> | | | | | |
| CURRENT ASSETS: | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 2,448 | \$ 1,024 | \$ 999 | \$ 465 | \$ 18,007 |
| RESTRICTED CASH | | | | 17,357 | |
| RECEIVABLES, NET | 906 | 196 | 1,407 | | 16,770 |
| INTEREST RECEIVABLE | | 4 | | 2,422 | 1,621 |
| INVENTORIES | | 64 | 505 | | |
| PREPAID EXPENSES | 264 | 198 | 253 | | |
| OTHER ASSETS | | | | | 2 |
| TOTAL CURRENT ASSETS | <u>3,618</u> | <u>1,486</u> | <u>3,164</u> | <u>20,244</u> | <u>36,400</u> |
| OTHER ASSETS: | | | | | |
| LONG-TERM INVESTMENTS | 4,849 | 1,194 | 4,691 | 825 | 26,950 |
| LONG-TERM RECEIVABLES | | | | 62,954 | 4,747 |
| DEFERRED CHARGES | 691 | | 528 | 146 | |
| RESTRICTED ASSETS | | | | 113,237 | 2,840 |
| TOTAL OTHER ASSETS | <u>5,540</u> | <u>1,194</u> | <u>5,219</u> | <u>177,162</u> | <u>34,537</u> |
| FIXED ASSETS: | | | | | |
| LAND | 14,073 | 129 | 32 | | |
| BUILDINGS | 155,025 | 31,571 | 11,543 | 463 | |
| MACHINERY AND EQUIPMENT | 4,545 | 7,839 | 27,481 | 405 | 5,085 |
| LESS: ACCUMULATED DEPRECIATION | (70,175) | (15,463) | (29,283) | (845) | (3,146) |
| CONSTRUCTION IN PROGRESS | 24,532 | | | | |
| TOTAL FIXED ASSETS, NET | <u>128,000</u> | <u>24,076</u> | <u>9,773</u> | <u>23</u> | <u>1,939</u> |
| TOTAL ASSETS | <u>\$ 137,158</u> | <u>\$ 26,756</u> | <u>\$ 18,156</u> | <u>\$ 197,429</u> | <u>\$ 72,876</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | | |
| LIABILITIES: | | | | | |
| CURRENT LIABILITIES: | | | | | |
| ACCOUNTS PAYABLE | \$ 1,229 | \$ 699 | \$ 3,379 | \$ 1,452 | \$ 10,470 |
| DUE TO PRIMARY GOVERNMENT | 140 | | | | |
| CAPITAL LEASE OBLIGATIONS | | | 1,373 | | |
| NOTES PAYABLE | | | | | |
| BONDS PAYABLE | | | | 72,124 | |
| COMPENSATED ABSENCES | 685 | | 1,457 | | |
| AMOUNT HELD IN CUSTODY FOR OTHERS | | | | | |
| DEFERRED REVENUE | 1,911 | 876 | 468 | | 4,634 |
| OTHER LIABILITIES | | | | 5,551 | |
| TOTAL CURRENT LIABILITIES | <u>3,965</u> | <u>1,575</u> | <u>6,677</u> | <u>79,127</u> | <u>15,104</u> |
| LONG-TERM LIABILITIES: | | | | | |
| CAPITAL LEASE OBLIGATIONS | | | 17,725 | | |
| NOTES PAYABLE | | | | | |
| BONDS PAYABLE | | | | | |
| COMPENSATED ABSENCES | | | | | 942 |
| OTHER LONG-TERM LIABILITIES | | | | | 542 |
| TOTAL LONG-TERM LIABILITIES | | | <u>17,725</u> | | <u>1,484</u> |
| TOTAL LIABILITIES | <u>3,965</u> | <u>1,575</u> | <u>24,402</u> | <u>79,127</u> | <u>16,588</u> |
| FUND EQUITY: | | | | | |
| CONTRIBUTED CAPITAL | 85,139 | 19,444 | | | |
| RETAINED EARNINGS: | | | | | |
| RESERVED FOR: | | | | | |
| REVENUE BOND RETIREMENT | | | | 45,173 | 49,129 |
| UNRESERVED | 48,054 | 5,737 | (6,246) | 73,129 | 7,159 |
| TOTAL FUND EQUITY | <u>133,193</u> | <u>25,181</u> | <u>(6,246)</u> | <u>118,302</u> | <u>56,288</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 137,158</u> | <u>\$ 26,756</u> | <u>\$ 18,156</u> | <u>\$ 197,429</u> | <u>\$ 72,876</u> |

| Kentucky Higher Education Student Loan Corporation | Kentucky Educational Savings Plan Trust | Kentucky Housing Corporation | Kentucky Infrastructure Authority | Kentucky Agricultural Finance Corporation | Kentucky Grain Insurance Corporation | Kentucky Local Correctional Facilities Construction Authority | Totals June 30, 1998 |
|--|---|------------------------------------|---|--|---|---|-------------------------|
| \$ 42,299 | \$ 655 | \$ 212,582 | \$ 76,534 | \$ 40 | \$ 382 | \$ 11,680 | \$ 367,115 |
| 811 | | 22,807 | 13,800 | | 47 | 306 | 17,357 |
| 11,352 | 103 | | 2,513 | | | 194 | 57,050 |
| 76 | | 221 | | | | | 18,209 |
| | | | | | | | 569 |
| | | | | | | | 1,012 |
| | | | | | | | 2 |
| 54,538 | 758 | 235,610 | 92,847 | 40 | 429 | 12,180 | 461,314 |
| 76,737 | 6,376 | 96,203 | 42,387 | 475 | 4,543 | 1,671 | 266,901 |
| 357,355 | | 811,912 | 290,776 | | | 6,958 | 1,534,702 |
| 5,071 | | 12,788 | 1,914 | | | 646 | 21,784 |
| | | | | | | | 116,077 |
| 439,163 | 6,376 | 920,903 | 335,077 | 475 | 4,543 | 9,275 | 1,939,464 |
| | | 749 | | | | | 14,983 |
| | | 10,569 | | | | | 209,171 |
| 2,738 | | 3,523 | | | | | 51,616 |
| (1,546) | | (4,977) | | | | | (125,435) |
| | | 1,795 | | | | | 26,327 |
| 1,192 | | 11,659 | | | | | 176,662 |
| \$ 494,893 | \$ 7,134 | \$ 1,168,172 | \$ 427,924 | \$ 515 | \$ 4,972 | \$ 21,455 | \$ 2,577,440 |
| \$ 16,441 | \$ | \$ 31,483 | \$ 2,478 | \$ | \$ 32 3 | \$ 364 | \$ 68,027 |
| | | | | | | | 143 |
| | | | | | | | 1,373 |
| 23,945 | | 23,584 | 9,965 | | | 1,493 | 131,111 |
| 149 | | | | | | | 2,291 |
| | 7,134 | | | | | | 7,134 |
| | | 1,781 | | | 47 | | 9,717 |
| | | 4,468 | 243 | | | | 10,262 |
| 40,535 | 7,134 | 61,316 | 12,686 | | 82 | 1,857 | 230,058 |
| | | 39,260 | 7,300 | | | | 17,725 |
| 399,790 | | 860,255 | 174,894 | | | 37,440 | 46,560 |
| | | | | | | | 1,472,379 |
| | | | | | | | 942 |
| | | | | | | | 542 |
| 399,790 | | 899,515 | 182,194 | | | 37,440 | 1,538,148 |
| 440,325 | 7,134 | 960,831 | 194,880 | | 82 | 39,297 | 1,768,206 |
| | | | | | | | 104,583 |
| 42,531 | | 169,199 | | | | | 306,032 |
| 12,037 | | 38,142 | 233,044 | 515 | 4,890 | (17,842) | 398,619 |
| 54,568 | | 207,341 | 233,044 | 515 | 4,890 | (17,842) | 809,234 |
| \$ 494,893 | \$ 7,134 | \$ 1,168,172 | \$ 427,924 | \$ 515 | \$ 4,972 | \$ 21,455 | \$ 2,577,440 |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | Kentucky State Fair Board | Kentucky Center for the Arts | Kentucky Educational Television Authority | Kentucky Economic Development Finance Authority | Kentucky Higher Education Assistance Authority |
|--|------------------------------------|---------------------------------------|--|---|--|
| OPERATING REVENUES: | | | | | |
| CHARGES FOR SERVICES | \$ 26,140 | \$ 2,614 | \$ 710 | \$ 951 | \$ 985 |
| INTEREST AND OTHER INVESTMENT INCOME | | | 36 | 10,539 | 2,530 |
| AMORTIZATION OF PREMIUM ON LEASES | | | | | |
| OTHER REVENUES | 2,539 | | 1,813 | 23 | 10,777 |
| TOTAL OPERATING REVENUES | 28,679 | 2,614 | 2,559 | 11,513 | 14,292 |
| OPERATING EXPENSES: | | | | | |
| PERSONAL SERVICES | 15,208 | 4,473 | 10,065 | 926 | 7,224 |
| UTILITIES, RENTALS, AND OTHER SERVICES | 10,333 | 1,504 | 2,966 | 337 | 2,501 |
| COMMODITIES AND SUPPLIES | 948 | 347 | 503 | | 345 |
| GRANTS AND SUBSIDIES | | 94 | | | 31,014 |
| DEPRECIATION AND AMORTIZATION | 4,920 | 1,702 | 1,437 | 249 | 720 |
| INTEREST | | | | 4,718 | |
| TRAVEL | 112 | 52 | 339 | 11 | 174 |
| OTHER EXPENSES | | 63 | 8,318 | 158 | 3,340 |
| TOTAL OPERATING EXPENSES | 31,521 | 8,235 | 23,628 | 6,399 | 45,318 |
| OPERATING INCOME (LOSS) | (2,842) | (5,621) | (21,069) | 5,114 | (31,026) |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| INTERGOVERNMENTAL REVENUES | | 1,587 | | | |
| GRANTS AND DONATIONS | | 600 | 6,184 | | 623 |
| MEMBERSHIP REVENUE | | 301 | | | |
| KENTUCKY CENTER FOR THE ARTS ENDOWMENT | | 876 | | | |
| GAIN (LOSS) ON SALE OF FIXED ASSETS | | 34 | (2) | | |
| INTEREST AND OTHER INVESTMENT INCOME | 143 | | 30 | | |
| INTEREST EXPENSE | | 119 | (1,201) | | |
| OTHER REVENUE (EXPENSES) | 891 | | (656) | | (667) |
| TOTAL NONOPERATING REVENUE (EXPENSES) | 1,034 | 3,517 | 4,355 | | (44) |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM | (1,808) | (2,104) | (16,714) | 5,114 | (31,070) |
| TRANSFERS FROM PRIMARY GOVERNMENT | 407 | 1,489 | 16,567 | | 28,786 |
| TRANSFERS FROM COMPONENT UNITS | | | (21) | | 3,000 |
| TRANSFERS TO PRIMARY GOVERNMENT | (371) | | | | |
| TRANSFERS TO COMPONENT UNITS | | | | | (339) |
| NET INCOME (LOSS) | (1,772) | (615) | (168) | 5,114 | 377 |
| ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS | 4,226 | 1,209 | | | |
| INCREASE (DECREASE) IN RETAINED EARNINGS | 2,454 | 594 | (168) | 5,114 | 377 |
| RETAINED EARNINGS AT JULY 1, AS RESTATED | 45,600 | 5,143 | (6,078) | 113,188 | 55,911 |
| RETAINED EARNINGS AT JUNE 30 | \$ 48,054 | \$ 5,737 | \$ (6,246) | \$ 118,302 | \$ 56,288 |

| Kentucky Higher Education Student Loan Corporation | Kentucky Educational Savings Plan Trust | Kentucky Housing Corporation | Kentucky Infrastructure Authority | Kentucky Agricultural Finance Corporation | Kentucky Grain Insurance Corporation | Kentucky Local Correctional Facilities Construction Authority | Totals June 30, 1998 |
|--|---|------------------------------------|---|--|---|---|-------------------------|
| \$ 1,099 39,852 | \$ | \$ 7,644 75,252 | \$ 546 18,031 | \$ | \$ 13 308 | \$ 5,137 1,131 | \$ 45,839 147,679 |
| 2,762 | | | 653 | | | 63 | 18,630 |
| 43,713 | | 82,896 | 19,230 | | 321 | 6,331 | 212,148 |
| | 52 | 7,897 | 1,711 | | 3 | | 47,559 |
| | 76 | 1,760 | | | | | 19,477 |
| | 1 | 344 | | | | | 2,488 |
| | | 1,902 | | | | 1,522 | 34,532 |
| 1,281 | | 1,534 | 379 | | | | 12,222 |
| 23,214 | | 53,369 | 11,821 | | | 2,050 | 95,172 |
| | 2 | 317 | | | | | 1,007 |
| 12,302 | 208 | 3,598 | | | (185) | 31 | 27,833 |
| 36,797 | 339 | 70,721 | 13,911 | | (182) | 3,603 | 240,290 |
| 6,916 | (339) | 12,175 | 5,319 | | 503 | 2,728 | (28,142) |
| | | | 19,652 | | | | 1,587 |
| | | | | | | | 27,059 |
| | | | | | | | 301 |
| | | | | | | | 876 |
| | | | | | | | 32 |
| | | | | | | | 173 |
| | | | | | | | (1,082) |
| | | (475) | | | | | (907) |
| | | (475) | 19,652 | | | | 28,039 |
| 6,916 | (339) | 11,700 | 24,971 | | 503 | 2,728 | (103) |
| | | | 10,742 | | | | 57,991 |
| | 339 | | | | | | 3,318 |
| | | | | | | | (371) |
| (3,000) | | | | | | | (3,339) |
| 3,916 | | 11,700 | 35,713 | | 503 | 2,728 | 57,496 |
| | | | | | | | 5,435 |
| 3,916 | | 11,700 | 35,713 | | 503 | 2,728 | 62,931 |
| 50,652 | | 195,641 | 197,331 | 515 | 4,387 | (20,570) | 641,720 |
| \$ 54,568 | \$ | \$ 207,341 | \$ 233,044 | \$ 515 | \$ 4,890 | \$ (17,842) | \$ 704,651 |

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | Kentucky State Fair Board | Kentucky Center For The Arts | Kentucky Educational Television Authority | Kentucky Economic Development Finance Authority |
|---|------------------------------------|---------------------------------------|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| CASH RECEIVED FROM CUSTOMERS - PUBLIC | \$ 29,830 | \$ 2,701 | \$ 2,889 | \$ 4,584 |
| COLLECTION OF PROGRAM LOANS | | | | 22,479 |
| PROGRAM LOANS ISSUED | | | | (14,286) |
| CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES | (15,841) | (3,246) | (12,279) | (327) |
| CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS | (10,647) | (3,704) | (10,024) | (926) |
| CASH PAYMENTS (TO) FROM OTHER SOURCES | | | | (114) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>3,342</u> | <u>(4,249)</u> | <u>(19,414)</u> | <u>11,410</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| PROCEEDS FROM BOND ISSUANCE | | | | |
| PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE | | | | |
| PRINCIPAL PAYMENT ON DEBT | | | | |
| DEBT RELATED EXPENSES | | | | (4,710) |
| SUBSIDIES | | 3,580 | 22,763 | |
| OPERATING TRANSFERS-IN FROM OTHER FUNDS | 998 | 1,489 | | |
| OPERATING TRANSFERS-OUT TO OTHER FUNDS | | | | |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>998</u> | <u>5,069</u> | <u>22,763</u> | <u>(4,710)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS | (19,045) | (961) | (1,027) | |
| PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS | (371) | | (1,413) | |
| INCREASE IN RESTRICTED ASSET - CONSTRUCTION ACCOUNT | 5,137 | | | |
| RESTRICTED INCOME - CONSTRUCTION | 300 | | | |
| INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS | | | (1,110) | |
| PROCEEDS FROM SALE OF EQUIPMENT | | 55 | | |
| CONTRIBUTED CAPITAL | 11,951 | | | |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(2,028)</u> | <u>(906)</u> | <u>(3,550)</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| PURCHASE OF INVESTMENT SECURITIES | (1,679) | (558) | (274) | (91,837) |
| PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES | | 222 | 180 | 77,984 |
| INTEREST AND DIVIDENDS ON INVESTMENTS | 143 | 118 | | 7,049 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(1,536)</u> | <u>(218)</u> | <u>(94)</u> | <u>(6,804)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 776 | (304) | (295) | (104) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,672 | 1,328 | 1,294 | 569 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 2,448</u> | <u>\$ 1,024</u> | <u>\$ 999</u> | <u>\$ 465</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| OPERATING INCOME (LOSS) | \$ (2,842) | \$ (5,621) | \$ (21,069) | \$ 5,114 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| PROVISION FOR UNCOLLECTIBLE ACCOUNTS | | | | |
| DEPRECIATION AND AMORTIZATION | 4,920 | 1,702 | 1,437 | 249 |
| INTEREST AND OTHER INVESTMENT INCOME | | | (30) | (7,265) |
| INTEREST EXPENSE | | | | |
| MISCELLANEOUS NONOPERATING INCOME (EXPENSES) | | | (890) | 4,738 |
| CHANGE IN ASSETS AND LIABILITIES: | | | | |
| (INCREASE) DECREASE IN ASSETS | | | | |
| RECEIVABLES, NET | 755 | 71 | (400) | 8,547 |
| INVENTORIES | | 6 | 203 | |
| PREPAID EXPENSES | 86 | 8 | (41) | |
| OTHER ASSETS | | | 81 | |
| INCREASE (DECREASE) IN LIABILITIES | | | | |
| ACCOUNTS PAYABLE | 28 | (431) | 883 | 27 |
| COMPENSATED ABSENCES | | | 87 | |
| OTHER LIABILITIES | | | | |
| DEFERRED REVENUE | 395 | 16 | 325 | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 3,342</u> | <u>\$ (4,249)</u> | <u>\$ (19,414)</u> | <u>\$ 11,410</u> |

THROUGH CONTRIBUTED CAPITAL, STATE FAIR BOARD ACQUIRED FIXED ASSETS COSTING \$17,088,(000).

| Kentucky Higher Education Assistance Authority | Kentucky Higher Education Student Loan Corporation | Kentucky Educational Savings Plan Trust | Kentucky Housing Corporation | Kentucky Infrastructure Authority | Kentucky Agricultural Finance Corporation | Kentucky Grain Insurance Corporation | Kentucky Local Correctional Facilities Construction Authority | Totals June 30, 1998 |
|--|--|---|------------------------------|-----------------------------------|---|--------------------------------------|---|----------------------|
| \$ 57,581 | \$ 14,227 | \$ 1,077 | \$ 7,742 | \$ 546 | \$ | \$ 14 | \$ 5,555 | \$ 126,746 |
| 297 | 84,016 | | 158,638 | 14,893 | | | 867 | 281,190 |
| (1,419) | (109,943) | | (132,224) | (37,175) | | | | (295,047) |
| (81,678) | (28,337) | (339) | (9,668) | (1,711) | | | (6) | (153,432) |
| (7,276) | (4,094) | | (8,214) | | | | | (44,885) |
| | (9,645) | (415) | | | | (92) | (1,522) | (11,788) |
| (32,495) | (53,776) | 323 | 16,274 | (23,447) | | (78) | 4,894 | (97,216) |
| | 2,040 | | 128,441 | 49,640 | | | | 180,121 |
| | (84) | | | | | | | (84) |
| | (31,275) | | (95,927) | (44,980) | | | | (172,182) |
| | | | (55,226) | (12,256) | | | | (72,192) |
| | | 339 | | 30,395 | | | | 56,738 |
| 31,786 | | | | | | | | 34,612 |
| (339) | (3,000) | | | | | | | (3,339) |
| 31,447 | (32,319) | 339 | (22,712) | 22,799 | | | | 23,674 |
| (703) | (637) | | (2,908) | | | | | (25,281) |
| | | | | | | | (1,485) | (3,269) |
| | | | | | | | | 5,137 |
| | | | | | | | | 300 |
| | | | | | | | (2,060) | (3,170) |
| | | | | | | | | 55 |
| | | | | | | | | 11,951 |
| (703) | (637) | | (2,908) | | | | (3,545) | (14,277) |
| (9,838) | (487,151) | (1,350) | (524,848) | (58,159) | 21 | (146) | (374) | (1,176,193) |
| 5,183 | 449,847 | 806 | 500,067 | 56,320 | | | | 1,090,609 |
| 2,236 | 9,413 | 369 | 16,056 | 16,359 | | 324 | 561 | 52,628 |
| (2,419) | (27,891) | (175) | (8,725) | 14,520 | 21 | 178 | 187 | (32,956) |
| (4,170) | (114,623) | 487 | (18,071) | 13,872 | 21 | 100 | 1,536 | (120,775) |
| 22,177 | 156,922 | 168 | 230,653 | 62,662 | 19 | 282 | 10,144 | 487,890 |
| \$ 18,007 | \$ 42,299 | \$ 655 | \$ 212,582 | \$ 76,534 | \$ 40 | \$ 382 | \$ 11,680 | \$ 367,115 |
| \$ (31,026) | \$ 6,916 | \$ (339) | \$ 12,175 | \$ 5,319 | \$ | \$ 503 | \$ 2,728 | \$ (28,142) |
| | 252 | | 245 | | | | | 497 |
| 720 | 1,281 | | 1,534 | 379 | | | | 12,222 |
| (1,894) | (8,876) | | 39,388 | (16,365) | | (324) | (589) | 4,045 |
| | | | | 10,156 | | | 2,060 | 12,216 |
| 730 | (49,264) | 660 | (3,182) | | | | (34) | (47,242) |
| (887) | (8,819) | | (36,075) | (22,936) | | 17 | 714 | (59,013) |
| | (6) | | (506) | | | | | 209 |
| 2 | | | (1,018) | | | | | (459) |
| | | | | | | | | (935) |
| 2,552 | 4,737 | 2 | 1,257 | | | (277) | 15 | 8,793 |
| 435 | 3 | | | | | | | 525 |
| | | | 2,358 | | | 3 | | 2,361 |
| (3,127) | | | 98 | | | | | (2,293) |
| \$ (32,495) | \$ (53,776) | \$ 323 | \$ 16,274 | \$ (23,447) | \$ | \$ (78) | \$ 4,894 | \$ (97,216) |



COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| COMMERCE-STATE FAIR BOARD | | | |
| REVENUES: | | | |
| CHARGES FOR SERVICES | \$ | \$ 27,360 | \$ |
| FINES AND FORFEITS | | 1 | |
| OTHER REVENUES | | 140 | |
| TRANSFERS IN (INTERFUND) | | 14 | |
| TRANSFERS IN (INTRAFUND) | | 371 | |
| TOTAL REVENUES | <u> </u> | <u>27,886</u> | <u> </u> |
| EXPENSES | <u>24,252</u> | <u>24,252</u> | <u> </u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | | 3,634 | |
| FUND EQUITY AT JULY 1 | | 118,112 | |
| NON-BUDGETED ITEMS | | (1,872) | |
| FIXED ASSET ALLOCATION | <u> </u> | <u> </u> | <u> </u> |
| FUND EQUITY AT JUNE 30 | <u>\$</u> | <u>\$ 119,874</u> | <u>\$</u> |

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
JUNE 30, 1998**

(Expressed in Thousands)

| | University of Kentucky | University of Louisville | Eastern Kentucky University |
|--|------------------------------|--------------------------------|-----------------------------------|
| <u>ASSETS</u> | | | |
| CASH AND CASH EQUIVALENTS | \$ 246,068 | \$ 76,823 | \$ 36,995 |
| CASH HELD IN TRUST | | | |
| INVESTMENTS, NET OF AMORTIZATION | 360,899 | 111,902 | 26,540 |
| RECEIVABLES, NET: | | | |
| STATE AGENCIES | 543 | | 3,825 |
| OTHERS | 166,437 | 62,142 | 10,117 |
| INTERFUND RECEIVABLES | 142,666 | | |
| INVENTORIES | 12,960 | 1,283 | 2,940 |
| LAND | 22,155 | 28,441 | 4,291 |
| IMPROVEMENTS OTHER THAN BUILDINGS | 34,993 | | 9,786 |
| BUILDINGS | 667,918 | 431,177 | 148,655 |
| MACHINERY AND EQUIPMENT | 366,747 | 96,012 | 51,195 |
| LIBRARY BOOKS | 79,518 | 56,905 | 25,580 |
| LIVESTOCK | | | 350 |
| CONSTRUCTION IN PROGRESS | 42,387 | | 1,630 |
| OTHER ASSETS | 6,882 | 3,145 | 1,962 |
| TOTAL ASSETS | <u>\$ 2,150,173</u> | <u>\$ 867,830</u> | <u>\$ 323,866</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| LIABILITIES: | | | |
| ACCOUNTS PAYABLE: | | | |
| STATE AGENCIES | \$ 191 | \$ 55,804 | \$ 191 |
| OTHERS | 32,648 | | 2,138 |
| ACCRUED LIABILITIES | 44,560 | | 1,725 |
| INTERFUND PAYABLES | 142,666 | | |
| CAPITAL LEASE OBLIGATIONS | 4,797 | 6,953 | 5,613 |
| NOTES PAYABLE | 95 | 3,400 | |
| BONDS PAYABLE | 207,647 | 170,579 | 58,680 |
| AMOUNTS HELD IN CUSTODY FOR OTHERS | 435 | | 547 |
| DEPOSITS AND ADVANCE PAYMENTS | 2,648 | 1,269 | 493 |
| DEFERRED REVENUE | 11,439 | 12,938 | 2,558 |
| OTHER LIABILITIES | 57,468 | 8,655 | 3,733 |
| TOTAL LIABILITIES | <u>504,594</u> | <u>259,598</u> | <u>75,678</u> |
| FUND EQUITY: | | | |
| INVESTMENT IN FIXED ASSETS | 978,797 | 433,067 | 177,137 |
| FUND BALANCE: | | | |
| RESERVED FOR: | | | |
| ENCUMBRANCES | 1,885 | 10,780 | 2,267 |
| CAPITAL OUTLAY | 65,002 | 28,897 | 16,030 |
| RESTRICTED GIFTS, GRANTS, AND CONTRACTS | 463,739 | 65,298 | 52,754 |
| UNRESERVED: | | | |
| DESIGNATED FOR UNIVERSITIES AND COLLEGES | 136,156 | 70,190 | |
| TOTAL FUND EQUITY | <u>1,645,579</u> | <u>608,232</u> | <u>248,188</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 2,150,173</u> | <u>\$ 867,830</u> | <u>\$ 323,866</u> |

| Western Kentucky University | Morehead State University | Murray State University | Northern Kentucky University | Kentucky State University | Kentucky Community Technical College System | Totals June 30, 1998 |
|-----------------------------------|---------------------------------|-------------------------------|------------------------------------|---------------------------------|--|-------------------------|
| \$ 5,221 | \$ 11,375 | \$ 20,530 | \$ 5,527 | \$ 17,490 | \$ 22,244 | \$ 442,273 |
| 46,731 | 10,510 | 6,107 | 22,496 | 12,150 | 24,699 | 622,034 |
| 218 | 412 | 611 | 383 | 7,543 | 216 | 13,751 |
| 8,938 | 4,688 | 6,828 | 3,918 | (3,309) | 19,638 | 279,397 |
| 122 | 1,150 | 3,356 | 650 | 470 | 812 | 149,226 |
| 1,206 | 2,330 | 1,310 | 1,125 | 593 | 1,733 | 25,480 |
| 1,508 | 7,312 | 2678 | 2,902 | 836 | 4,232 | 74,355 |
| 4,003 | | 8,919 | 2,988 | 81 | 5,394 | 66,164 |
| 129,334 | 114,037 | 119,558 | 116,186 | 68,353 | 168,796 | 1,964,014 |
| 37,488 | 27,490 | 26,444 | 20,462 | 15,128 | 35,296 | 676,262 |
| 21,000 | 10,957 | 19,198 | 17,537 | 6,109 | | 236,804 |
| | 19 | | | | | 369 |
| 12,147 | 706 | 14,305 | 755 | 20,193 | 9,032 | 101,155 |
| 4,902 | 85 | 15,568 | 1,824 | 717 | | 35,085 |
| <u>\$ 272,818</u> | <u>\$ 191,071</u> | <u>\$ 245,412</u> | <u>\$ 196,753</u> | <u>\$ 146,354</u> | <u>\$ 292,092</u> | <u>\$ 4,686,369</u> |
| \$ 8 | \$ | \$ 80 | \$ 13 | \$ | \$ 91 | \$ 574 |
| 1,688 | 1,744 | 3,190 | 1,730 | 258 | 3,687 | 102,887 |
| 2,946 | 3,589 | 3,299 | 3,725 | 2,845 | 6,654 | 69,343 |
| 122 | 1,738 | 3,356 | 650 | | 812 | 149,344 |
| 7,061 | 13,905 | 2,494 | 16,136 | | 14 | 56,973 |
| | 444 | 893 | 2,361 | | | 7,193 |
| 53,488 | 29,395 | 22,012 | 50,985 | 20,255 | 95,770 | 708,811 |
| 811 | 685 | 122 | 976 | | 125 | 3,701 |
| | 19 | 283 | 174 | 3,451 | 1 | 8,338 |
| 3,329 | 521 | 911 | 3,244 | 270 | 1,846 | 37,056 |
| | 1,128 | | 121 | 525 | | 71,630 |
| <u>69,453</u> | <u>53,168</u> | <u>36,640</u> | <u>80,115</u> | <u>27,604</u> | <u>109,000</u> | <u>1,215,850</u> |
| 145,252 | 116,777 | 166,646 | 90,705 | | 127,077 | 2,235,458 |
| 1,725 | | 690 | 255 | | 319 | 17,921 |
| 18,268 | 6,560 | | 10,455 | 108,406 | 23,599 | 277,217 |
| 23,644 | 13,904 | 30,036 | 14,523 | 10,344 | 26,058 | 700,300 |
| 14,476 | 662 | 11,400 | 700 | | 6,039 | 239,623 |
| <u>203,365</u> | <u>137,903</u> | <u>208,772</u> | <u>116,638</u> | <u>118,750</u> | <u>183,092</u> | <u>3,470,519</u> |
| <u>\$ 272,818</u> | <u>\$ 191,071</u> | <u>\$ 245,412</u> | <u>\$ 196,753</u> | <u>\$ 146,354</u> | <u>\$ 292,092</u> | <u>\$ 4,686,369</u> |

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

(Expressed in Thousands)

| | University of Kentucky | University of Louisville | Eastern Kentucky University |
|---|------------------------------|--------------------------------|-----------------------------------|
| REVENUES: | | | |
| TUITION AND FEES | \$ 101,211 | \$ 62,893 | \$ 32,565 |
| FEDERAL GRANTS AND CONTRACTS | 11,856 | 26,162 | 23,487 |
| STATE/LOCAL GRANTS AND CONTRACTS | 6,045 | 6,208 | 8,866 |
| PRIVATE GIFTS, GRANTS AND CONTRACTS | 57,401 | 11,651 | 918 |
| ENDOWMENT INCOME | 5,510 | | |
| SALES AND SERVICES OF EDUCATION ACTIVITIES | 51,429 | 504 | 4,349 |
| SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS | 291,095 | 25,506 | 16,473 |
| OTHER REVENUES | 42,574 | 98,354 | 4,644 |
| TOTAL CURRENT REVENUES | 567,121 | 231,278 | 91,302 |
| EXPENDITURES AND TRANSFERS: | | | |
| EDUCATIONAL AND GENERAL: | | | |
| INSTRUCTION | 191,002 | 138,138 | 50,721 |
| RESEARCH | 52,969 | 27,278 | 567 |
| PUBLIC SERVICE | 108,746 | 46,872 | 9,086 |
| ACADEMIC SUPPORT | 34,120 | 27,091 | 20,642 |
| LIBRARIES | 19,967 | 11,080 | 3,762 |
| STUDENT SERVICES | 17,892 | 8,672 | 7,703 |
| INSTITUTIONAL SUPPORT | 33,952 | 30,983 | 11,160 |
| STUDENT FINANCIAL AID | 29,841 | 17,878 | 15,290 |
| MAINTENANCE AND OPERATION | 31,892 | 18,641 | 14,360 |
| OTHER EXPENDITURES | 683 | 6,087 | |
| TOTAL EDUCATIONAL AND GENERAL EXPENDITURES | 521,064 | 332,720 | 133,291 |
| MANDATORY TRANSFERS FOR: | | | |
| PRINCIPAL AND INTEREST | 19,518 | 13,766 | 5,137 |
| LOAN FUND | 152 | 48 | 9 |
| UNEXPENDED PLANT FUND | 2,329 | | |
| RENEWAL AND REPLACEMENT | | | |
| RETIREMENT OF INDEBTEDNESS | | | |
| NON-MANDATORY TRANSFERS FOR: | | | |
| CURRENT FUND - UNRESTRICTED | (18,024) | | |
| AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED | | | |
| CURRENT FUND - RESTRICTED | (3,887) | | |
| LOAN FUND | | | |
| ENDOWMENT AND SIMILAR FUNDS | 10 | 354 | |
| FOUNDATIONS | 4,050 | | |
| UNEXPENDED PLANT FUND | 17,221 | 12,778 | |
| RENEWAL AND REPLACEMENT | 2,946 | | |
| RETIREMENT OF INDEBTEDNESS | | | |
| TOTAL EDUCATIONAL AND GENERAL | 545,379 | 359,666 | 138,437 |
| AUXILIARY ENTERPRISES AND HOSPITALS: | | | |
| EXPENDITURES | 279,284 | 47,751 | 14,989 |
| MANDATORY TRANSFERS FOR: | | | |
| PRINCIPAL AND INTEREST | 5,136 | 1,372 | 1,333 |
| RENEWAL AND REPLACEMENT | | | |
| RETIREMENT OF INDEBTEDNESS | | | |
| NON-MANDATORY TRANSFERS: | | | |
| CURRENT FUND - UNRESTRICTED | 4,709 | | |
| AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED | | | |
| UNEXPENDED PLANT FUND | 459 | | |
| RENEWAL AND REPLACEMENT | 2,540 | | |
| TOTAL AUXILIARY ENTERPRISES AND HOSPITALS | 292,128 | 49,123 | 16,322 |
| TOTAL EXPENDITURES AND TRANSFERS | 837,507 | 408,789 | 154,759 |
| OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS): | | | |
| TRANSFERS FROM PRIMARY GOVERNMENT | 272,623 | 154,829 | 62,834 |
| TRANSFERS TO PRIMARY GOVERNMENT | 3,083 | | (2) |
| EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE | 1,162 | 10,460 | 286 |
| INDIRECT COST RECOVERED | | 4,581 | |
| REFUNDS TO GRANTORS | | | (97) |
| OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS) | | 3,012 | (512) |
| NET INCREASE (DECREASE) IN FUND BALANCE | \$ 6,482 | \$ (4,629) | \$ (948) |

| Western Kentucky University | Morehead State University | Murray State University | Northern Kentucky University | Kentucky State University | Kentucky Community Technical College System | Totals June 30, 1998 |
|-----------------------------------|---------------------------------|-------------------------------|------------------------------------|---------------------------------|---|-------------------------|
| \$ 33,614 | \$ 21,402 | \$ 23,771 | \$ 33,229 | \$ 6,253 | \$ 25,786 | \$ 340,724 |
| 16,231 | 25,275 | 7,593 | 5,273 | 10,536 | 30,896 | 157,309 |
| 2,731 | 2,473 | 2,781 | 2,158 | 227 | 9,343 | 40,832 |
| 1,502 | 1,470 | 850 | 520 | | 2,689 | 77,001 |
| | | 495 | | | 269 | 6,274 |
| 4,679 | 1,022 | 2,507 | 1,010 | | 2,464 | 67,964 |
| 12,964 | 8,993 | 13,300 | 6,286 | 3,640 | 8,378 | 386,635 |
| 3,907 | 2,425 | 3,193 | 2,621 | 1,048 | 986 | 159,752 |
| <u>75,628</u> | <u>63,060</u> | <u>54,490</u> | <u>51,097</u> | <u>21,704</u> | <u>80,811</u> | <u>1,236,491</u> |
| 47,132 | 26,146 | 33,400 | 28,101 | 9,602 | 66,801 | 591,043 |
| 2,923 | 418 | 2,002 | 211 | 2,936 | | 89,304 |
| 8,739 | 4,796 | 3,947 | 2,087 | 3,013 | 6,103 | 193,389 |
| 5,984 | 4,978 | 4,095 | 4,421 | 2,390 | 8,095 | 111,816 |
| 4,685 | 2,226 | 2,436 | 3,667 | | 4,461 | 52,284 |
| 10,419 | 6,588 | 6,646 | 5,898 | 3,354 | 9,122 | 76,294 |
| 12,313 | 7,248 | 7,362 | 10,409 | 5,289 | 13,426 | 132,142 |
| 13,077 | 25,914 | 11,635 | 8,687 | 4,181 | 31,841 | 158,344 |
| 10,137 | 4,782 | 7,767 | 6,067 | 3,459 | 11,666 | 108,771 |
| | | | | | | 6,770 |
| <u>115,409</u> | <u>83,096</u> | <u>79,290</u> | <u>69,548</u> | <u>34,224</u> | <u>151,515</u> | <u>1,520,157</u> |
| 4,198 | 4,202 | 3,751 | 4,929 | | 10,457 | 65,958 |
| 27 | 1 | 2 | 33 | | | 272 |
| | 64 | | 165 | 2,658 | | 2,329 |
| | | | | | | 64 |
| | | | | | | 2,823 |
| | | (77) | | | (205) | (18,229) |
| | | | | | (53) | (77) |
| | | | | | | (3,940) |
| | 127 | 6 | | | | 497 |
| | | | | | | 4,050 |
| 3,769 | 441 | 1,110 | 685 | | 5,649 | 41,653 |
| | | 433 | | | | 3,379 |
| (702) | | 143 | | | | (559) |
| <u>122,701</u> | <u>87,931</u> | <u>84,658</u> | <u>75,360</u> | <u>36,882</u> | <u>167,363</u> | <u>1,618,377</u> |
| 10,914 | 8,254 | 12,200 | 4,595 | 3,302 | 7,741 | 389,030 |
| 2,232 | 2,147 | 631 | 335 | | | 13,186 |
| | | | 17 | | | 17 |
| | | | 1,635 | | | 1,635 |
| | | 77 | | | 205 | 4,991 |
| | | | | | (8) | (8) |
| | | 112 | 20 | | | 591 |
| | | | | | 48 | 2,588 |
| <u>13,146</u> | <u>10,401</u> | <u>13,020</u> | <u>6,602</u> | <u>3,302</u> | <u>7,986</u> | <u>412,030</u> |
| <u>135,847</u> | <u>98,332</u> | <u>97,678</u> | <u>81,962</u> | <u>40,184</u> | <u>175,349</u> | <u>2,030,407</u> |
| 56,614 | 35,538 | 43,926 | 33,256 | 19,504 | 95,512 | 774,636 |
| 618 | | | | | | 3,699 |
| 234 | | 128 | 82 | | 5,102 | 17,454 |
| 808 | | 303 | | | | 5,692 |
| (90) | | (28) | (24) | | | (239) |
| 9 | | (46) | | 267 | | 2,730 |
| <u>\$ (2,026)</u> | <u>\$ 266</u> | <u>\$ 1,095</u> | <u>\$ 2,449</u> | <u>\$ 1,291</u> | <u>\$ 6,076</u> | <u>\$ 10,056</u> |

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FUND BALANCE
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

(Expressed in Thousands)

| | University of Kentucky | University of Louisville | Eastern Kentucky University |
|--|------------------------------|--------------------------------|-----------------------------------|
| REVENUES AND OTHER ADDITIONS: | | | |
| EDUCATIONAL AND GENERAL REVENUES | \$ 234,559 | \$ 151,793 | \$ 42,900 |
| AUXILIARY ENTERPRISES AND HOSPITALS REVENUES | 291,095 | 28,920 | 16,232 |
| INDIRECT COST RECOVERED | | 4,581 | |
| RESTRICTED GRANTS AND CONTRACTS | 124,639 | 46,180 | 31,818 |
| RESTRICTED GIFTS AND GRANTS | 42,635 | 7,924 | 6,049 |
| ENDOWMENT INCOME | 4,890 | | |
| INTEREST AND OTHER INVESTMENT INCOME | 39,770 | 8,647 | 1,384 |
| EXPENDED FOR PLANT FACILITIES | 82,499 | 33,495 | 8,209 |
| RETIREMENT OF INDEBTEDNESS | 26,841 | 8,144 | 5,370 |
| OTHER REVENUES AND ADDITIONS | 195,350 | 18,086 | 7,002 |
| TOTAL REVENUES AND OTHER ADDITIONS | <u>1,042,278</u> | <u>307,770</u> | <u>118,964</u> |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | |
| EDUCATIONAL AND GENERAL EXPENDITURES | 521,064 | 326,633 | 132,198 |
| AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES | 279,284 | 47,751 | 14,989 |
| REFUNDS TO GRANTORS | 37 | | 97 |
| ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS | 48 | | 73 |
| LOAN CANCELLATIONS | 196 | 156 | 187 |
| PAYMENT TO BENEFICIARIES | | | 800 |
| EXPENDED FOR PLANT FACILITIES | 32,013 | 20,087 | 2,729 |
| RETIREMENT OF INDEBTEDNESS | 17,042 | 8,144 | 5,370 |
| INTEREST PAYMENTS | 12,750 | 9,757 | 3,720 |
| DISPOSAL OF PLANT FACILITIES | 43,987 | 4,828 | 2,976 |
| NOTES ISSUED | | | |
| OTHER EXPENDITURES | 261,504 | 15,569 | 5,100 |
| TOTAL EXPENDITURES AND OTHER DEDUCTIONS | <u>1,167,925</u> | <u>432,925</u> | <u>168,239</u> |
| TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS): | | | |
| NON-MANDATORY TRANSFERS FOR: | | | |
| TRANSFERS FROM PRIMARY GOVERNMENT | 276,636 | 158,245 | 62,834 |
| TRANSFERS TO PRIMARY GOVERNMENT | (12,480) | (14,000) | (4,046) |
| TOTAL TRANSFERS AMONG FUNDS | <u>264,156</u> | <u>144,245</u> | <u>58,788</u> |
| INCREASE (DECREASE) IN FUND BALANCE | 138,509 | 19,090 | 9,513 |
| FUND BALANCE AT JULY 1, AS RESTATED | 1,507,070 | 589,142 | 238,675 |
| FUND BALANCE AT JUNE 30 | <u>\$ 1,645,579</u> | <u>\$ 608,232</u> | <u>\$ 248,188</u> |

| Western Kentucky University | Morehead State University | Murray State University | Northern Kentucky University | Kentucky State University | Kentucky Community Technical College System | Totals June 30, 1998 |
|-----------------------------------|---------------------------------|-------------------------------|------------------------------------|---------------------------------|---|-------------------------|
| \$ 42,573 | \$ 25,610 | \$ 28,127 | \$ 33,229 | \$ 18,064 | \$ 28,882 | \$ 605,737 |
| 12,963 | 8,993 | 13,300 | 6,286 | 3,640 | 8,378 | 389,807 |
| 740 | | 303 | 197 | | | 5,821 |
| 19,783 | 29,218 | 33,703 | 8,468 | 374 | 44,696 | 338,879 |
| 1,968 | | 1,829 | 815 | | 4,377 | 65,597 |
| | | | | | 311 | 5,201 |
| 2,510 | 440 | 2,807 | 597 | 711 | 2,981 | 59,847 |
| 26,855 | 3,129 | 8,623 | 4,408 | | 13,774 | 180,992 |
| 3,529 | 4,268 | 3,399 | 4,485 | 1,248 | 6,129 | 63,413 |
| 1,105 | 639 | 4,959 | 4,728 | 282 | 1,907 | 234,058 |
| <u>112,026</u> | <u>72,297</u> | <u>97,050</u> | <u>63,213</u> | <u>24,319</u> | <u>111,435</u> | <u>1,949,352</u> |
| 115,409 | 83,096 | 79,290 | 69,548 | 34,224 | 151,515 | 1,512,977 |
| 10,914 | 8,254 | 12,200 | 4,595 | 3,302 | 7,741 | 389,030 |
| 90 | | 28 | 25 | | | 277 |
| 150 | 16 | 29 | 56 | 229 | | 601 |
| 248 | 102 | 61 | 19 | | | 969 |
| | | | | | | 800 |
| 20,882 | 2,160 | 1,835 | 2,303 | | 12,662 | 94,671 |
| 3,529 | 4,268 | 3,301 | 3,582 | 1,410 | 6,129 | 52,775 |
| 3,080 | 2,497 | 1,360 | 4,508 | 1,248 | 5,136 | 44,056 |
| 1,418 | 7 | 5,523 | 3,290 | | 1,919 | 63,948 |
| | 500 | 600 | 1,002 | | | 2,102 |
| 839 | 747 | 158 | 1,694 | (267) | 1,696 | 287,040 |
| <u>156,559</u> | <u>101,647</u> | <u>104,385</u> | <u>90,622</u> | <u>40,146</u> | <u>186,798</u> | <u>2,449,246</u> |
| 56,614 | 35,538 | 43,926 | 33,256 | 19,504 | 95,512 | 782,065 |
| (4,034) | 273 | (99) | | | | (34,386) |
| <u>52,580</u> | <u>35,811</u> | <u>43,827</u> | <u>33,256</u> | <u>19,504</u> | <u>95,512</u> | <u>747,679</u> |
| 8,047 | 6,461 | 36,492 | 5,847 | 3,677 | 20,149 | 247,785 |
| 195,318 | 131,715 | 172,280 | 110,791 | 114,933 | 162,943 | 3,222,867 |
| <u>\$ 203,365</u> | <u>\$ 138,176</u> | <u>\$ 208,772</u> | <u>\$ 116,638</u> | <u>\$ 118,610</u> | <u>\$ 183,092</u> | <u>\$ 3,470,652</u> |

STATISTICAL SECTION

The **Statistical Section** gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain demographic and economic data have been presented that will allow a broader understanding of the economic and social environment in which State Government operates.

**COMMONWEALTH OF KENTUCKY
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

| SOURCE | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| Taxes: | | | | | | | | | | |
| Sales & Gross Receipts | \$ 1,750,337 | \$ 1,793,125 | \$ 1,931,992 | \$ 2,259,989 | \$ 2,442,419 | \$ 2,539,066 | \$ 2,739,653 | \$ 2,873,176 | \$ 3,018,770 | \$ 3,167,442 |
| Individual Income | 1,149,519 | 1,228,462 | 1,642,691 | 1,629,678 | 1,676,263 | 1,870,096 | 1,964,960 | 2,080,418 | 2,201,574 | 2,390,823 |
| Corporation Income | 310,793 | 279,494 | 319,338 | 271,022 | 254,797 | 269,048 | 340,913 | 289,508 | 291,536 | 338,354 |
| Property | 281,886 | 303,347 | 323,378 | 339,590 | 353,711 | 370,200 | 386,389 | 409,175 | 440,973 | 405,528 |
| License & Privilege | 94,096 | 101,174 | 110,046 | 111,315 | 117,471 | 114,052 | 137,578 | 130,778 | 145,178 | 162,122 |
| Severance | 182,966 | 196,945 | 188,924 | 185,020 | 180,704 | 181,340 | 177,826 | 185,019 | 185,744 | 187,126 |
| Inheritance & Estate | 53,752 | 67,013 | 68,597 | 77,241 | 71,040 | 76,173 | 79,531 | 82,673 | 93,962 | 105,550 |
| Miscellaneous | 104,839 | 111,662 | 118,327 | 116,692 | 125,636 | 120,036 | 117,077 | 104,819 | 109,451 | 114,903 |
| Total Taxes | <u>3,928,188</u> | <u>4,081,222</u> | <u>4,703,293</u> | <u>4,990,547</u> | <u>5,222,041</u> | <u>5,540,011</u> | <u>5,943,927</u> | <u>6,155,566</u> | <u>6,487,188</u> | <u>6,871,848</u> |
| Intergovernmental Revenue | 1,624,227 | 1,814,810 | 2,158,400 | 2,520,376 | 2,687,598 | 2,657,925 | 3,307,139 | 3,394,888 | 3,625,241 | 3,809,686 |
| Charges for Services | 149,195 | 172,827 | 167,144 | 140,798 | 147,617 | 192,659 | 222,309 | 277,165 | 262,366 | 289,555 |
| Licenses, Fees & Permits | 114,074 | 119,750 | 126,840 | 138,877 | 161,510 | 134,161 | 160,975 | 163,331 | 164,557 | 170,454 |
| Fines & Forfeitures | 33,792 | 40,530 | 41,106 | 39,229 | 39,972 | 38,563 | 40,720 | 40,485 | 48,538 | 47,265 |
| Interest & Investments | 93,473 | 115,831 | 108,962 | 112,519 | 107,210 | 90,931 | 112,124 | 148,908 | 155,878 | 191,986 |
| Other Income | 76,944 | 90,050 | 136,338 | 80,241 | 123,951 | 93,683 | 133,506 | 133,524 | 193,206 | 218,883 |
| Total Non-Tax Income | <u>2,091,705</u> | <u>2,353,798</u> | <u>2,738,790</u> | <u>3,032,040</u> | <u>3,267,858</u> | <u>3,207,922</u> | <u>3,976,773</u> | <u>4,158,301</u> | <u>4,449,786</u> | <u>4,727,829</u> |
| Total Revenues | <u>\$ 6,019,893</u> | <u>\$ 6,435,020</u> | <u>\$ 7,442,083</u> | <u>\$ 8,022,587</u> | <u>\$ 8,489,899</u> | <u>\$ 8,747,933</u> | <u>\$ 9,920,700</u> | <u>\$ 10,313,867</u> | <u>\$ 10,936,974</u> | <u>\$ 11,599,677</u> |

**COMMONWEALTH OF KENTUCKY
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

| FUNCTIONS | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| General Government | \$ 374,234 | \$ 338,573 | \$ 300,969 | \$ 236,096 | \$ 444,901 | \$ 452,593 | \$ 418,256 | \$ 494,599 | \$ 593,500 | \$ 652,980 |
| Legislative & Judicial | 93,813 | 103,564 | 111,920 | 119,345 | 120,036 | 128,575 | 132,421 | 147,563 | 150,604 | 165,645 |
| Commerce | 42,043 | 48,225 | 40,485 | 41,512 | 37,279 | 37,656 | 42,430 | 42,704 | 44,408 | 45,953 |
| Education & Humanities | 1,669,905 | 1,935,653 | 2,302,807 | 2,511,764 | 2,578,179 | 2,663,797 | 2,835,220 | 2,962,449 | 3,076,843 | 3,187,712 |
| Energy | 1,974 | | | | | | | | | |
| Human Resources | 1,732,736 | 2,010,819 | 2,495,859 | 2,916,988 | 3,129,059 | 3,077,162 | 3,818,430 | 3,819,907 | 4,208,762 | 4,253,354 |
| Justice | 89,452 | 79,958 | 98,068 | 101,291 | 229,972 | 232,221 | 255,424 | 282,999 | 340,100 | 402,149 |
| Natural Resources and | | | | | | | | | | |
| Environmental Protection | 59,217 | 64,349 | 98,517 | 56,919 | 83,481 | 105,920 | 110,509 | 96,094 | 103,356 | 112,923 |
| Corrections | 111,557 | 128,093 | 150,637 | 158,260 | | | | | | |
| Public Protection and | | | | | | | | | | |
| Regulation | 64,445 | 68,341 | 72,138 | 73,888 | 83,322 | 79,816 | 86,411 | 94,124 | 105,763 | 115,479 |
| Transportation | 727,519 | 734,592 | 813,903 | 976,826 | 874,160 | 843,456 | 980,083 | 1,061,589 | 1,092,563 | 1,135,102 |
| Capital Outlay | 75,912 | 89,042 | 125,600 | 201,665 | 149,910 | 79,707 | 82,040 | 79,245 | 99,702 | 135,106 |
| Debt Service | 240,029 | 275,743 | 334,487 | 413,450 | 284,323 | 357,122 | 416,756 | 392,130 | 332,127 | 438,029 |
| Total Expenditures | <u>\$ 5,282,836</u> | <u>\$ 5,876,952</u> | <u>\$ 6,945,390</u> | <u>\$ 7,808,004</u> | <u>\$ 8,014,622</u> | <u>\$ 8,058,025</u> | <u>\$ 9,177,980</u> | <u>\$ 9,473,403</u> | <u>\$ 10,147,728</u> | <u>\$ 10,644,432</u> |

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report

NOTE: In 1990 the Energy Function was distributed among other functions. In 1993 the Corrections Function was combined into the Justice Function.

DESCRIPTION OF TAX SOURCES - ALL GOVERNMENTAL FUND TYPES

JUNE 30, 1998

SALES AND USE - On July 1, 1960, Kentucky became the thirty-fourth state to enact a sales and use tax. Although the tax was broad based at the time of its inception, the sales and use tax has been significantly eroded over the years with the passage of numerous exemptions. This has been partially offset with rate increases in 1968 (3% to 5%) and 1990 (5% to 6%), and expansion of the tax base in 1985 to cover leases and rentals of tangible personal property. During fiscal year 1998, the sales and use tax continued to be the second largest generator of General Fund revenue for the Commonwealth.

COAL SEVERANCE - Kentucky's coal severance tax became effective April 1, 1972, and was intended to replace a major portion of the revenue expected to be lost by the exemption of groceries from the sales tax. It was the first major severance tax among the states. The initial rate of 4% on the gross value of coal mined in Kentucky or .30 per ton, whichever is greater, was raised to 4.5% of the gross value of coal mined or .50 per ton, whichever is greater, in 1976. In 1978, the statutes were revised to include the taxation of coal processing and added a deduction from the gross value for the cost of transportation. A 1986 amendment provides that coal producing and coal impact counties were to receive a minimum of 10% of coal severance and processing taxes for fiscal year 1986-87 and 12% for subsequent years. The percentage has increased over the years to a level of 31% for fiscal year 1997-98.

MOTOR FUELS - In 1920, Kentucky became the fifth state to adopt a gasoline tax. The initial rate of one cent per gallon reached five cents per gallon by 1926. Effective April 1, 1948, the tax per gallon was raised to seven cents, with two-sevenths of the total set aside for rural and secondary roads. On July 1, 1962, administration of the motor fuels use tax was transferred from the Department of Revenue to the Department of Motor Transportation, and on July 1, 1972, the tax rate increased to nine cents per gallon. Effective July 1, 1980, the rate was changed to 9% of the weighted average wholesale tank wagon price for sale in Kentucky. In no case shall the average wholesale price be deemed to be less than one dollar and eleven cents per gallon, nor more than one dollar and fifty cents per gallon. On July 1, 1986, the tax on gasoline and LP gas was increased five cents per gallon and the tax on special fuels was increased two cents per gallon.

MOTOR VEHICLE USAGE TAX - Motor vehicles were originally taxed under the 3 percent gross receipts tax that was repealed in 1936. After repeal, a special 3 percent tax on motor vehicles was enacted. This tax is based on the "retail price" of the motor vehicles as defined by statute. The tax was increased to 5 percent in April 1968, and to 6 percent on July 1, 1990. The tax is paid to the county clerk when a vehicle is first registered in the owner's name. The proceeds derived from the tax are deposited to the Road Fund for use in the construction and maintenance of Kentucky's roads and bridges.

MOTOR VEHICLE REGISTRATION - The 1936 General Assembly fixed a flat \$4.50 registration fee (plus fifty cents for the County Clerk) for passenger cars. Similar fees were enacted in 1938 for farm trucks and in 1944 for church buses, water well drillers, and certain wreckers. Truck licenses were changed to a graduated "gross weight" basis in 1964. The current \$11.50 fee for passenger cars, farm trucks, and the lightest trucks was passed in 1968. In 1973, all motor vehicle registration functions were transferred from the Department of Revenue to the Department of Transportation and the apportioned registration of commercial vehicles began. Current rates for heavier trucks range from \$24 (6,001-10,000 lbs.) to \$1,250.50 (73,281-82,000 lbs.) with extended weight tags available for coal haulers.

INDIVIDUAL INCOME TAX - The individual income tax became effective for income earned during calendar year 1936 and produced its first revenue during fiscal year 1936-37. The initial rates ranged from 2% on the first \$3,000 of income to 5% on all over \$5,000. In 1950, a rate of 6% was imposed on income in excess of \$8,000. In 1954, Kentucky became the fourth state to implement a withholding system and also adopted the federal definition of net income. Currently, net income is computed using the Internal Revenue Code in effect on December 31, 1997, for tax years beginning after December 31, 1996, modified for Kentucky differences between federal and Kentucky tax laws. Primary differences include the tax treatment of pension income and interest on federal obligations. The rates applied to net income are: 2% of the first \$3,000; 3% of the next \$1,000; 4% of the next \$1,000; 5% of the next \$3,000; and 6% of the excess over \$8,000. The personal tax credit of \$20 went into effect in 1961 and a standard deduction of \$650 was adopted in 1976. The standard deduction increased to \$900 for 1997, increases to \$1,200 for 1998, \$1,500 for 1999 and \$1,700 for 2000 and will be indexed thereafter. A low income tax credit of 5% to 100% for single persons or married couples with adjusted gross income of \$25,000 or less was enacted in 1990. A child and dependent care credit equal to 20% of the Federal credit is also allowed.

COMMONWEALTH OF KENTUCKY

CORPORATION INCOME TAX - The corporate income tax was enacted to first apply to calendar year 1936 income. The rate was 4% of net income assigned to Kentucky after deduction of federal income taxes. This rate was changed to 4.5% in 1950 and again to 5% of the first \$25,000 of taxable income and 7% of all in excess thereof in 1956. In 1972, the federal tax deduction was removed and the state rate reduced to 4% of the first \$25,000 and 5.8% on the excess. Tax rates beginning on January 1, 1980, were: first \$25,000 at 3%; next \$25,000 at 4%; next \$50,000 at 5%; and the excess over \$100,000 at 6%. The 1985 Special Session of the General Assembly passed the Kentucky Equity Tax Act (KETA) into law. KETA mandated a State depreciation system separate from the federal system. This new Kentucky system allowed corporate taxpayers to recover the entire cost of property through depreciations compared to recovery of 71% of cost using the Accelerated Cost Recovery System (ACRS) as adjusted for under prior Kentucky Law. KETA also added a new graduated rate of 7.25% of taxable income in excess of \$250,000 of taxable income effective August 1, 1985.

The 1990 General Assembly replaced the Kentucky depreciation system with the depreciation and expense deductions allowed by Sections 168 and 179 of the Internal Revenue Code in effect on December 31, 1989, effective for property placed in service after December 31, 1989. The tax rates beginning on January 1, 1990 are: first \$25,000 at 4%; next \$25,000 at 5%; next \$50,000 at 6%; next \$150,000 at 7%; and all over \$250,000 at 8.25%.

The 1994 General Assembly amended KRS 141.0101 to make Kentucky depreciation rules consistent with federal depreciation rules for all assets, regardless of when placed in service, effective for taxable years, beginning after December 31, 1993. To account for this change in depreciation rules, each taxpayer must determine the amount of any difference in Kentucky adjusted basis and federal adjusted basis (transition amount) as of the first day of the first taxable year beginning after December 31, 1993. The transition amount must be added to or subtracted from gross income in the first taxable year beginning after December 31, 1993, if the amount does not exceed \$100,000 or in equal amounts over 4 years if the amount exceeds \$100,000 or the taxpayer so elects.

The 1996 General Assembly amended KRS 141.120 to prohibit affiliated corporations from filing combined Kentucky income tax returns using the unitary business concept and allows affiliated corporations to elect to file consolidated Kentucky income tax returns, with such election being binding for 96 consecutive calendar months.

Effective for tax years beginning after December 31, 1996, net

income is computed using the Internal Revenue Code in effect on December 31, 1997.

PROPERTY TAX - Kentucky has levied a property tax since the creation of the state in 1792. Prior to 1934, the property tax was the State's major revenue source. In that year, an attempt to remove the tax on real estate was ruled unconstitutional. The tax rate was then reduced from 30 cents to 5 cents per \$100 assessed value. The 1965 Special Session of the General Assembly further reduced the rate on real estate from five cents to 1.5 cents and on tangible property from 50 cents to 15 cents. House Bill 4, passed in the 1976 regular session of the General Assembly, established the power equalization program for school funding and raised the State tax rate on real property from 1.5 cents to 31.5 cents per \$100 of assessed value and the tax rate on tangible personal property from 15 cents to 45 cents per \$100 of assessed value. This increase in the State property tax rate was accompanied by a 30 cents per \$100 of assessed value decrease in local school tax rates. The tax rate on intangible personal property, which is not subject to local rates, remained at 25 cents per \$100. House Bill 44, enacted by the 1979 extraordinary legislative session, established a new rate setting mechanism which limited the increase in aggregate revenues for all taxing districts in general, and specifically limited the State rate for real estate to no greater than necessary to provide a 4% increase in revenue from year to year. As a result, the State tax rate on real property has dropped 51.4% from 31.5 cents per \$100 in 1978 to 15.3 cents per \$100 in 1998.

The 1996 General Assembly repealed the bank shares property tax and enacted a bank franchise tax for state tax purposes and a local deposits franchise tax for local tax purposes. A discussion of the bank franchise tax follows.

INHERITANCE AND ESTATE TAX - The inheritance tax began in Kentucky in 1906 and provided that all property of persons residing in the State and property within the State owned by non-residents shall be subject to a tax of \$5 on each \$100 of its fair cash value at the time of their death. The original exemption was \$500. In 1936, 1948, 1976, 1978, and 1985, various changes in the then existing legacy brackets and exemptions were legislated into law. Effective for dates of death on or after August 1, 1985, the surviving spouse's exemption for inheritance tax increased from the previous \$50,000 to the total inheritable interest, and the tax rates for others range from 2% to 16% depending on the heir's classification and distributive share. An additional exemption of personal property (up to \$7,500) is available upon application to the district court by the surviving children (when there is no surviving spouse),

COMMONWEALTH OF KENTUCKY

regardless of whether the decedent died testate or intestate.

House Bill 2, enacted during the 1995 Second Extraordinary Session of the General Assembly, phases out the inheritance tax for Class A beneficiaries over a four year period and is applicable to individuals dying after June 30, 1995. Class A includes parents, children (natural, adopted and step), grandchildren, brothers, sisters, half-brothers and half-sisters. Class A was expanded under the bill to include brothers, sisters, half-brothers & half sisters. These beneficiaries were originally in Class B. Other Class B and C beneficiaries were not affected by the bill. The inheritance tax for Class A beneficiaries will be completely phased out for deaths occurring after June 30, 1998. During the phase-out period, a Class A beneficiary is entitled to an exemption which is the greater of the exemption permitted under pre-July 1, 1995 law or a percentage of the inheritable interest.

The following percentages apply:

25% for deaths from July 1, 1995 to July 1, 1996;

50% for deaths from July 1, 1996 to July 1, 1997;

75% for deaths from July 1, 1997 to July 1, 1998; and

100% for deaths on or after July 1, 1998.

The Kentucky estate tax is an amount by which the state death tax credit allowable under the federal estate tax law exceeds the total inheritance tax paid.

PROVIDER TAX - House Bill 250, enacted during the 1994 Regular Session of the General Assembly, continued the Kentucky Health Care Provider Tax. The bill, which was effective July 15, 1994, imposed a 2.5% tax on a gross revenues received by all providers of hospital services, a 2% tax on gross revenues received by other providers of specified health care items or services, and a .25 cent tax per outpatient prescription drug dispensed by pharmacies or other persons dispensing outpatient prescription drugs (KRS Chapter 142). The purpose of the Health Care Provider Tax is to help fund Kentucky's \$2 billion Medicaid program. The Medicaid program is a joint federal-state medical assistance program that is operated and administered by the state. Approximately 25% of the funding for the program is provided by the state with remaining 75% being funded by the federal government.

KRS Chapter 142 was amended in 1996 to phase out the health care provider tax on physician services. The rate is 1% for the period July 1, 1997, through June 30, 1999. The tax on physician services will

be entirely removed as of July 1, 1999.

KRS Chapter 142 was amended in 1998 to phase out the tax on outpatient prescription drugs. The tax on outpatient prescription drugs will be reduced from 25 cents to 15 cents per prescription for the period July 1, 1999, through June 30, 2000. Effective July 1, 2000, the tax on outpatient prescription drugs will expire.

BANK FRANCHISE TAX - House Bill 416 as enacted by the 1996 General Assembly created the bank franchise tax. The tax is imposed on any financial institution which obtains or solicits business from 20 or more persons within the Commonwealth or has receipts attributable to sources in the Commonwealth which equal or exceed \$100,000. The bank franchise tax is based on a five year average of net capital accounts reflected on the quarterly reports of condition filed with applicable federal regulatory institution. The minimum tax is \$300 per year. Because HB 416 is effective for the calendar year 1996, the first tax returns and payments were due on March 15, 1997.

Effective for tax years beginning after December 31, 1997, KRS 136.500 was amended in 1998 to define the term "Kentucky obligations" to mean all obligations of the Commonwealth of Kentucky, its counties, municipalities, taxing districts, exempt from taxation under the Kentucky Revised Statutes and the Kentucky Constitution. The amendment allows as a deduction from capital an amount equal to the same percentage of total capital as the book value of Kentucky obligations bears to the book value of the total assets of the financial institution. Additionally, the quarterly averages of net capital and deductions for United States and Kentucky obligations will be divided by four, without regard to the actual existence of the financial institution.

**COMMONWEALTH OF KENTUCKY
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 FOR CALENDAR YEARS 1988 - 1997**

(Expressed in Thousands, Except Ratio Data)

| For the Year Ended December 31 | Real Property | | Personal Property | | Totals | | Ratio of Total Assessed to Total Estimated Actual Value |
|--------------------------------------|---------------|-----------------|-------------------|-----------------|----------------|-----------------|--|
| | Assessed | Estimated | Assessed | Estimated | Assessed | Estimated | |
| | Value | Actual Value | Value | Actual Value | Value | Actual Value | |
| 1988 | \$ 61,308,019 | \$ 65,320,574 | \$ 101,100,506 | \$ 101,100,506 | \$ 162,408,525 | \$ 166,421,080 | 97.6% |
| 1989 | 63,730,690 | 72,466,699 | 117,635,547 | 117,635,547 | 181,366,237 | 190,102,246 | 95.4% |
| 1990 | 69,798,888 | 80,228,607 | 124,398,999 | 124,398,999 | 194,197,887 | 204,627,606 | 94.9% |
| 1991 | 74,626,422 | 84,802,752 | 132,552,592 | 132,552,592 | 207,179,014 | 217,355,344 | 95.3% |
| 1992 | 78,150,012 | 87,809,002 | 140,219,154 | 140,219,154 | 218,369,166 | 228,028,156 | 95.8% |
| 1993 | 82,268,682 | 89,422,480 | 141,750,516 | 141,750,516 | 224,019,198 | 231,172,996 | 96.9% |
| 1994 | 89,570,464 | 95,287,728 | 153,225,083 | 153,225,083 | 242,795,547 | 248,512,811 | 97.7% |
| 1995 | 94,579,246 | 100,616,219 | 161,791,401 | 161,791,401 | 256,370,647 | 262,407,620 | 97.7% |
| 1996 | 101,534,494 | 108,015,419 | 152,832,983 | 152,832,983 | 254,367,477 | 260,848,402 | 97.5% |
| 1997 | 108,105,918 | 115,006,296 | 126,001,834 | 126,001,834 | 234,107,752 | 241,008,130 | 97.1% |

SOURCE: Kentucky Revenue Cabinet

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of property.

**COMMONWEALTH OF KENTUCKY
 PROPERTY TAX LEVIES AND COLLECTIONS
 FOR FISCAL YEARS 1988 - 1997**

(Expressed in Thousands Except Percentages)

| For the Year Ended June 30 | Total Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Percent of Total |
|-------------------------------|-------------------|----------------------------|------------------------------|-------------------------------|--------------------------|--------------------------------|
| | | | | | | Tax Collections to Tax Levy |
| 1988 | 290,148 | 258,673 | 89.2% | 11,239 | 269,912 | 93.0% |
| 1989 | 292,001 | 270,216 | 92.5% | 11,673 | 281,889 | 96.5% |
| 1990 | 317,574 | 295,729 | 93.1% | 7,617 | 303,346 | 95.5% |
| 1991 | 342,116 | 313,503 | 91.6% | 9,871 | 323,374 | 94.5% |
| 1992 | 355,821 | 329,783 | 92.7% | 8,765 | 338,548 | 95.1% |
| 1993 | 372,168 | 345,089 | 92.7% | 9,669 | 354,758 | 95.3% |
| 1994 | 387,350 | 357,996 | 92.4% | 12,204 | 370,200 | 95.6% |
| 1995 | 412,789 | 377,710 | 91.5% | 17,615 | 395,325 | 95.8% |
| 1996 | 424,471 | 391,977 | 92.3% | 17,200 | 409,177 | 96.4% |
| 1997 | 409,392 | 399,759 | 97.6% | 15,099 | 414,858 | 101.3% |

SOURCE: Kentucky Revenue Cabinet

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) by the 120 Property Valuation Administrators within the State, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year.

**COMMONWEALTH OF KENTUCKY
RATIO OF GENERAL LONG-TERM BONDED DEBT
TO ASSESSED VALUE AND DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio and Per Capita Debt)

| For the Year Ended June 30 | Estimated Population | Assessed Value | General Long-Term Bonded Debt | General Bonded Debt | |
|-------------------------------|-------------------------|-----------------------|----------------------------------|----------------------------|------------|
| | | | | Ratio to Assessed Value | Per Capita |
| 1989 | 3,677 | \$ 181,366,237 | \$ 2,243,965 | 1.2% | 610 |
| 1990 | 3,692 1990 Census | 194,197,887 | 2,292,249 | 1.2% | 621 |
| 1991 | 3,715 | 207,179,014 | 2,790,549 | 1.3% | 751 |
| 1992 | 3,752 | 218,369,166 | 2,819,240 | 1.3% | 751 |
| 1993 | 3,793 | 224,019,198 | 3,144,038 | 1.4% | 829 |
| 1994 | 3,824 | 242,795,547 | 3,098,553 | 1.3% | 810 |
| 1995 | 3,856 | 256,370,647 | 3,133,332 | 1.2% | 813 |
| 1996 | 3,882 | 254,367,477 | 3,134,342 | 1.2% | 807 |
| 1997 | 3,908 | 234,107,752 | 3,133,332 | 1.3% | 802 |
| 1998 | 3,971 Projected | 245,813,140 Estimated | 2,833,433 | 1.2% | 714 |

SOURCE: University of Louisville Center for Urban and Economic Research; Kentucky Revenue Cabinet; Office for Financial Management and Economic Analysis bond reporting systems.

NOTE: General long-term bonded debt outstanding includes adjustments to eliminate bonds accounted for by Proprietary Funds, State Universities, as well as adjustments reflecting updated amortization schedules, bonds redeemed prior to scheduled maturity, and correction of maturity.

**COMMONWEALTH OF KENTUCKY
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO
TOTAL EXPENDITURES FOR GENERAL GOVERNMENTAL FUNCTIONS
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio Data)

| For the Year Ended June 30 | General | Total | Ratio |
|-------------------------------|-----------------------------|--------------|-------|
| | Long - Term Debt Service | Expenditures | |
| 1989 | \$ 230,626 | \$ 5,282,836 | 4.4% |
| 1990 | 260,347 | 5,876,952 | 4.4% |
| 1991 | 334,487 | 6,945,390 | 4.8% |
| 1992 | 413,450 | 7,808,004 | 5.3% |
| 1993 | 284,323 | 8,014,622 | 3.5% |
| 1994 | 357,122 | 8,058,025 | 4.4% |
| 1995 | 416,756 | 9,177,980 | 4.5% |
| 1996 | 392,130 | 9,473,403 | 4.1% |
| 1997 | 332,127 | 10,147,728 | 3.3% |
| 1998 | 438,029 | 10,644,432 | 4.1% |

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report.

**COMMONWEALTH OF KENTUCKY
UNIVERSITY AND COLLEGE FUNDS REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Coverage)

| For the Year Ended June 30 | Unrestricted Current Funds Beginning Balance | Unrestricted Current Funds Revenues and Additions | Unrestricted Current Funds Expenditures and Transfers | Net Revenue Available for Debt Service Requirements | Debt Service Requirements | Coverage |
|---------------------------------------|---|--|--|--|--|-----------------|
| 1989 | \$ 137,898 | \$ 1,047,740 | \$ 1,062,988 | \$ 122,650 | \$ 57,345 | 2.14 |
| 1990 | 122,650 | 1,125,850 | 1,115,634 | 132,866 | 57,802 | 2.30 |
| 1991 | 132,486 | 1,268,409 | 1,262,373 | 138,522 | 64,195 | 2.16 |
| 1992 | 139,539 | 1,377,283 | 1,372,630 | 144,192 | 73,763 | 1.95 |
| 1993 | 144,239 | 1,378,410 | 1,365,768 | 156,881 | 108,448 | 1.45 |
| 1994 | 156,881 | 1,446,681 | 1,405,432 | 198,130 | 81,304 | 2.44 |
| 1995 | 198,435 | 1,531,477 | 1,475,510 | 254,402 | 81,113 | 3.14 |
| 1996 | 254,402 | 1,584,733 | 1,587,982 | 251,153 | 84,791 | 2.96 |
| 1997 | 251,153 | 1,763,331 | 1,743,647 | 270,837 | 84,962 | 3.19 |
| 1998 | 270,778 | 1,788,100 | 1,782,483 | 276,395 | 88,252 | 3.13 |

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Reports; state universities' audited financial statements.

**COMMONWEALTH OF KENTUCKY
DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 1988-1997**

| <u>For the Year Ended December 31</u> | <u>Estimated Population</u> | <u>Per Capita Income</u> | <u>Unemployment Rate</u> |
|---|---------------------------------|------------------------------|------------------------------|
| 1988 | 3,680,002 | \$ 13,187 | 7.9% |
| 1989 | 3,677,318 | 14,204 | 6.2% |
| 1990 | 3,692,470 * | 15,085 | 5.9% |
| 1991 | 3,714,685 | 15,726 | 7.5% |
| 1992 | 3,751,866 | 16,706 | 6.9% |
| 1993 | 3,792,623 | 17,212 | 6.2% |
| 1994 | 3,823,954 | 17,872 | 5.4% |
| 1995 | 3,856,212 | 18,609 | 5.4% |
| 1996 | 3,882,071 | 19,470 | 5.6% |
| 1997 | 3,908,124 | 20,599 | 5.4% |

SOURCE: U.S. Department of Commerce, Bureau of Census; U.S. Department of Commerce, Bureau of Economic Analysis; Kentucky Cabinet for Human Resources

NOTE: * Actual population per 1990 census count

**COMMONWEALTH OF KENTUCKY
CONSTRUCTION AND BANK DEPOSITS
FOR CALENDAR YEARS 1988-1997**

(Expressed in Thousands, Except Number of Units)

| <u>For the Year Ended December 31</u> | <u>Non-Residential Construction</u> | | <u>Residential Construction</u> | | <u>Bank Deposits</u> |
|---|---|--------------|-------------------------------------|--------------|--------------------------|
| | <u>Number of Units</u> | <u>Value</u> | <u>Number of Units</u> | <u>Value</u> | |
| 1988 | 8,318 | \$ 682,821 | 13,363 | \$ 786,711 | \$ 29,908,656 |
| 1989 | 8,254 | 626,716 | 12,656 | 779,383 | 31,741,423 |
| 1990 | 7,823 | 655,650 | 11,810 | 771,010 | 33,487,743 |
| 1991 | 7,908 | 582,450 | 11,961 | 784,108 | 34,076,826 |
| 1992 | 8,437 | 677,181 | 14,689 | 1,023,682 | 34,882,000 |
| 1993 | 8,952 | 797,365 | 15,907 | 1,172,971 | 35,112,000 |
| 1994 | 10,024 | 801,728 | 18,554 | 1,370,011 | 37,352,000 |
| 1995 | 10,025 | 1,247,662 | 17,625 | 1,276,432 | 37,893,000 |
| 1996 | See Note | See Note | 18,778 | 1,484,079 | 39,769,000 |
| 1997 | See Note | See Note | 18,114 | 1,483,895 | 38,247,000 |

SOURCE: U.S. Department of Commerce, Bureau of Census; Federal Deposit Insurance Corporation

NOTE: Beginning January 1996, the Bureau of Census, Building Permits Section has discontinued collection of Nonresidential Data due to budget reductions.

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 1988-1997
(Expressed in Thousands, Except Percent Data)

| Source | 1988 | | 1989 | | 1990 | | 1991 | | 1992 | |
|--|------------|---------|--------------|---------|------------|---------|------------|---------|--------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Farm | \$ 668,299 | 1.9% | \$ 1,041,550 | 2.8% | \$ 960,168 | 2.5% | \$ 982,549 | 2.4% | \$ 1,169,147 | 2.6% |
| Agriculture Services, Forestry, Fisheries and Others | 228,087 | 0.7% | 228,599 | 0.6% | 252,155 | 0.6% | 282,052 | 0.7% | 296,803 | 0.7% |
| Mining | 1,653,967 | 4.8% | 1,539,587 | 4.2% | 1,672,377 | 4.3% | 1,516,241 | 3.7% | 1,508,979 | 3.4% |
| Manufacturing | 8,028,107 | 23.2% | 8,479,029 | 22.9% | 8,983,022 | 23.0% | 8,940,688 | 22.1% | 9,716,135 | 22.0% |
| Construction | 2,066,377 | 6.0% | 2,182,157 | 5.9% | 2,204,377 | 5.6% | 2,164,841 | 5.3% | 2,426,217 | 5.5% |
| Wholesale and Retail Trade | 5,362,697 | 15.5% | 5,630,733 | 15.2% | 5,881,745 | 15.0% | 6,142,471 | 15.2% | 6,589,659 | 14.9% |
| Finance, Insurance and Real Estate | 1,513,601 | 4.4% | 1,634,011 | 4.4% | 1,741,932 | 4.5% | 1,809,691 | 4.5% | 2,050,433 | 4.6% |
| Transportation and Public Utilities | 2,530,156 | 7.3% | 2,652,794 | 7.2% | 2,811,850 | 7.2% | 2,985,429 | 7.4% | 3,187,823 | 7.2% |
| Services | 6,734,587 | 19.4% | 7,394,411 | 20.0% | 7,937,785 | 20.3% | 8,468,830 | 20.9% | 9,345,203 | 21.2% |
| Government and Government Enterprises | 5,854,794 | 16.9% | 6,168,571 | 16.7% | 6,644,978 | 17.0% | 7,206,843 | 17.8% | 7,870,328 | 17.8% |

| Source | 1993 | | 1994 | | 1995 | | 1996 | | 1997 | |
|--|--------------|---------|--------------|---------|------------|---------|------------|---------|--------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Farm | \$ 1,011,315 | 2.2% | \$ 1,008,405 | 2.1% | \$ 637,240 | 1.3% | \$ 883,261 | 1.7% | \$ 1,263,679 | 2.2% |
| Agriculture Services, Forestry, Fisheries and Others | 310,551 | 0.7% | 321,408 | 0.7% | 339,434 | 0.7% | 347,853 | 0.7% | 377,666 | 0.7% |
| Mining | 1,470,067 | 3.2% | 1,479,323 | 3.0% | 1,355,740 | 2.7% | 1,303,126 | 2.5% | 1,325,875 | 2.3% |
| Manufacturing | 10,346,726 | 22.3% | 11,086,400 | 22.7% | 11,500,404 | 22.7% | 11,661,198 | 22.0% | 12,444,420 | 22.0% |
| Construction | 2,646,143 | 5.7% | 2,843,645 | 5.8% | 2,887,938 | 5.7% | 3,119,282 | 5.9% | 3,390,809 | 6.0% |
| Wholesale and Retail Trade | 6,926,476 | 15.0% | 7,394,893 | 15.2% | 7,869,662 | 15.6% | 8,247,555 | 15.6% | 8,815,952 | 15.6% |
| Finance, Insurance and Real Estate | 2,325,731 | 5.0% | 2,319,698 | 4.8% | 2,465,359 | 4.9% | 2,644,659 | 5.0% | 2,844,885 | 5.0% |
| Transportation and Public Utilities | 3,341,003 | 7.2% | 3,567,164 | 7.3% | 3,701,609 | 7.3% | 3,910,902 | 7.4% | 4,198,214 | 7.4% |
| Services | 9,950,772 | 21.5% | 10,469,606 | 21.5% | 11,212,340 | 22.2% | 11,916,437 | 22.5% | 12,744,627 | 22.5% |
| Government and Government Enterprises | 7,993,416 | 17.3% | 8,242,908 | 16.9% | 8,596,215 | 17.0% | 8,875,353 | 16.8% | 9,164,305 | 16.2% |

SOURCE: Kentucky Cabinet for Economic Development, Division of Research

NOTE: Percentages may not add to 100% due to rounding.

COMMONWEALTH OF KENTUCKY
TOP 10 MANUFACTURERS
(Ranked by Number of Employees)
1998

| Company | Number of Plants | Number of Employees |
|--|---------------------------------|------------------------------------|
| General Electric Company | 7 | 11,550 |
| Ford Motor Company | 2 | 8,200 |
| Toyota Motor Corporation | 1 | 7,600 |
| Lexmark International, Incorporated | 1 | 6,000 |
| Johnson Controls, Incorporated | 11 | 5,302 |
| Emerson Electric Company | 8 | 3,520 |
| Dana Corporation | 9 | 3,417 |
| Philip Morris Companies, Incorporated | 1 | 2,412 |
| R.R. Donnelly and Sons Company | 2 | 2,400 |
| Matsushita Electric Incorporated Company | 3 | 2,245 |

SOURCE: 1998 Kentucky Top 10 Manufacturers, provided by Kentucky Cabinet for Economic Development, Division of Research

COMMONWEALTH OF KENTUCKY
SCHEDULE OF MISCELLANEOUS STATISTICS
JUNE 30, 1998

| | |
|---|----------------------------------|
| Adoption of Kentucky Constitution | 1792 |
| Form of Government | Legislative, Executive, Judicial |
| Land Area (square miles) | 39,650 |
| Miles of Highways, Roads and Streets | 73,035 |
| | |
| Police Protection: | |
| Statewide Jurisdiction | |
| Number of Kentucky State Police Posts | 16 |
| Number of Sworn Officers | 953 |
| Number of Other Statewide Agencies | 7 |
| Number of Officers | 669 |
| County Jurisdictions | |
| Number of Sheriffs | 120 |
| Number of Deputies | 1,165 |
| Number of County Departments | 13 |
| Number of County Officers | 618 |
| Local Jurisdictions | |
| Number of Departments | 237 |
| Number of Sworn Officers | 3,656 |
| College and Universities | |
| Number of Departments | 11 |
| Number of Sworn Officers | 178 |
| | |
| Higher Education: | |
| State Supported Universities and Community Colleges | |
| Number of Campuses | 22 |
| Number of Full-Time Instructional Faculty | 5,172 |
| Number of Students, Fall 1997 | 148,082 |
| Private Colleges and Universities | |
| Number of Campuses | 21 |
| Number of Full-Time Instructional Faculty | 1,267 |
| Number of Students, Fall 1997 | 25,124 |
| | |
| State Supported Recreation: | |
| Number of Resort Parks | 16 |
| Number of Recreation Parks | 23 |
| Number of Historic Sites | 10 |
| Area of State Parks (acres) | 43,000 |
| Number of 1997 Overnight Visitors | 1,130,900 |
| | |
| Permanent Full-Time Executive Branch Employees | 34,163 |
| | |
| SOURCES: Kentucky Revised Statutes | |
| Kentucky Transportation Cabinet | |
| Kentucky State Police | |
| Kentucky Council on Higher Education | |
| Kentucky Department of Parks | |
| Kentucky Department of Personnel | |

**COMMONWEALTH OF KENTUCKY
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

| Kentucky Kare | Fiscal and Policy Year Ended | | | |
|--|-------------------------------------|-------------|-------------|-------------|
| | 1989 | 1990 | 1991 | 1992 |
| Earned Premiums | \$ 57,750 | \$ 92,522 | \$ 111,010 | \$ 136,636 |
| Earned Investment Income | 1,339 | 2,966 | 3,448 | 3,289 |
| Total | 59,089 | 95,488 | 114,458 | 139,925 |
| Administrative Expense | 3,035 | 4,663 | 5,193 | 5,591 |
| Incurred Claims as | | | | |
| Originally Estimated | 46,870 | 78,871 | 95,210 | 117,570 |
| Claims Paid (Cumulative) as of: | | | | |
| End of Fiscal Year | 31,920 | 62,673 | 76,254 | 96,279 |
| One Year Later | 46,607 | 77,552 | 95,956 | 113,587 |
| Two Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Three Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Four Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Five Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Six Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Seven Years Later | 48,051 | 78,565 | 95,976 | |
| Eight Years Later | 48,051 | 78,565 | | |
| Nine Years Later | 48,051 | | | |
| Re-estimation of Incurred Claims | | | | |
| End of Fiscal Year | 46,870 | 78,871 | 96,210 | 117,570 |
| One Year Later | 46,870 | 78,915 | 96,132 | 113,739 |
| Two Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Three Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Four Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Five Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Six Years Later | 48,051 | 78,565 | 95,976 | 116,819 |
| Seven Years Later | 48,051 | 78,565 | 95,976 | |
| Eight Years Later | 48,051 | 78,565 | | |
| Nine Years Later | 48,051 | | | |
| Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation as of the End of the Most Recent Fiscal Year | 1,181 | (306) | 766 | (751) |

SOURCE: Per Compilations Report

| Fiscal and Policy Year Ended | | | | | |
|------------------------------|------------|------------|------------|------------|------------|
| 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| \$ 155,314 | \$ 133,365 | \$ 139,523 | \$ 114,916 | \$ 107,100 | \$ 117,871 |
| 3,322 | 3,990 | 6,994 | 6,295 | 4,645 | 2,550 |
| 158,636 | 137,355 | 146,517 | 121,211 | 111,745 | 120,421 |
| 5,887 | 5,833 | 5,579 | 3,316 | 4,870 | 4,925 |
| 128,942 | 143,133 | 144,479 | 131,132 | 135,922 | 147,522 |
| 110,178 | 123,980 | 116,761 | 111,943 | 114,232 | 127,324 |
| 126,314 | 144,858 | 141,537 | 125,868 | 127,738 | |
| 126,476 | 145,097 | 141,918 | 126,797 | | |
| 126,476 | 145,097 | 141,918 | | | |
| 126,476 | 145,097 | | | | |
| 126,476 | | | | | |
| 128,943 | 143,133 | 144,479 | 131,132 | 135,922 | 147,522 |
| 129,086 | 145,044 | 143,371 | 128,158 | 141,720 | |
| 127,486 | 145,062 | 141,918 | 128,168 | | |
| 126,476 | 145,097 | 141,918 | | | |
| 126,476 | 145,097 | | | | |
| 126,476 | | | | | |
| (2,466) | 1,964 | (2,561) | (2,964) | 5,798 | |

**COMMONWEALTH OF KENTUCKY
 ENTITY RISK POOLS
 CLAIMS DEVELOPMENT INFORMATION
 FOR THE LAST EIGHT YEARS**

(Expressed in Thousands)

| | Fiscal and Policy Year Ended | | | | | | | |
|--|------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| State-Workers' Compensation | | | | | | | | |
| Earned Premiums | \$ 7,687 | \$ 9,263 | \$ 13,426 | \$ 14,052 | \$ 12,991 | \$ 14,470 | \$ 14,095 | \$ 16,121 |
| Earned Investment Income | | | | | | | | |
| Total | <u>7,687</u> | <u>9,263</u> | <u>13,426</u> | <u>14,052</u> | <u>12,991</u> | <u>14,470</u> | <u>14,095</u> | <u>16,121</u> |
| Administrative Expense | 609 | 688 | 821 | 669 | 401 | 542 | 554 | 404 |
| Incurring Claims as | | | | | | | | |
| Originally Estimated | 9,057 | 11,109 | 11,013 | 15,531 | 12,727 | 14,709 | 14,982 | 13,243 |
| Claims Paid (Cumulative) as of: | | | | | | | | |
| End of Fiscal Year | 2,854 | 3,076 | 3,129 | 3,441 | 3,093 | 3,010 | 2,615 | 2,819 |
| One Year Later | 5,634 | 5,626 | 6,308 | 6,492 | 5,797 | 5,882 | 5,626 | |
| Two Years Later | 7,538 | 7,034 | 8,163 | 8,207 | 7,588 | 7,560 | | |
| Three Years Later | 8,781 | 7,942 | 9,743 | 9,152 | 8,721 | | | |
| Four Years Later | 9,415 | 8,569 | 10,664 | 10,211 | | | | |
| Five Years Later | 9,945 | 8,857 | 11,482 | | | | | |
| Six Years Later | 10,348 | 9,191 | | | | | | |
| Seven Years Later | 10,775 | | | | | | | |
| Re-estimation of Incurred Claims | | | | | | | | |
| End of Fiscal Year | 9,057 | 11,109 | 11,013 | 15,531 | 12,727 | 14,709 | 14,982 | 13,243 |
| One Year Later | 15,496 | 10,420 | 12,589 | 15,277 | 12,883 | 14,502 | 13,006 | |
| Two Years Later | 13,099 | 10,956 | 13,269 | 16,075 | 13,266 | 14,519 | | |
| Three Years Later | 13,152 | 10,859 | 13,858 | 15,324 | 13,526 | | | |
| Four Years Later | 13,837 | 11,373 | 14,421 | 15,230 | | | | |
| Five Years Later | 14,008 | 11,668 | 16,164 | | | | | |
| Six Years Later | 14,124 | 12,241 | | | | | | |
| Seven Years Later | 14,535 | | | | | | | |
| Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation as of the End of the Most Recent Fiscal Year | 5,478 | 1,132 | 5,151 | (301) | 799 | (190) | (1,976) | |

SOURCE: Per Compilations Report

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